

**SCHOOL DISTRICT
OF
KINNELON BOROUGH**

**Kinnelon Borough School District
Kinnelon, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019**

**Comprehensive Annual
Financial Report**

of the

Kinnelon Borough School District

Kinnelon, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

**Kinnelon Borough School District
Board of Education**

KINNELON BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION



KINNELON PUBLIC SCHOOLS

109 KIEL AVENUE ♦ KINNELON, NEW JERSEY 07405

TEL: (973) 838-1418 ♦ FAX: (973) 838-5527

Website: www.kinnelonpublicschools.org

Kerry Keane
Business Administrator
Board Secretary

November 13, 2019

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
109 Kiel Avenue
Kinnelon, New Jersey 07405

Dear Board Members:

The comprehensive annual financial report of the Kinnelon Board of Education (the "District") for the fiscal year ended June 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Kinnelon Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Kinnelon School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board "GASB" as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. All funds of the District are included in this report. The Kinnelon Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through Grade 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2018/2019 fiscal year with an enrollment of 1,804 students which was a decrease of 157 students from the prior year.

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
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2) ECONOMIC CONDITION AND OUTLOOK: While recent job growth in Kinnelon has been slow, and indicative of the economy as a whole, the most recent unemployment rate in the community is 3.4%. This is approximately 1.0% lower than the national average. Future home development is limited due to the implementation of the Highlands Act.

3) MAJOR INITIATIVES: Over the past five years, student enrollment in the Kinnelon Public Schools has decreased approximately 10.65%. Our student population decrease was anticipated and our focus is on repurposing existing instructional space to meet the needs of our student population. There are no plans for future building expansion.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District management.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2019.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements", Note 1.

Honorable President and
Members of the Board of Education
Kinnelon Borough School District
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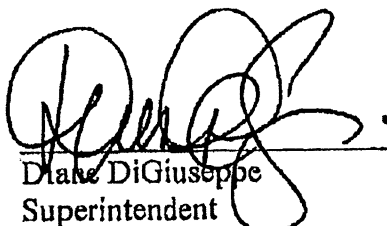
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

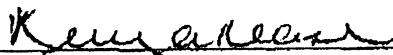
8) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Uniform Guidance and New Jersey's OMB Circular 15-08. The auditor's report on the basic financial statements and other supplementary schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

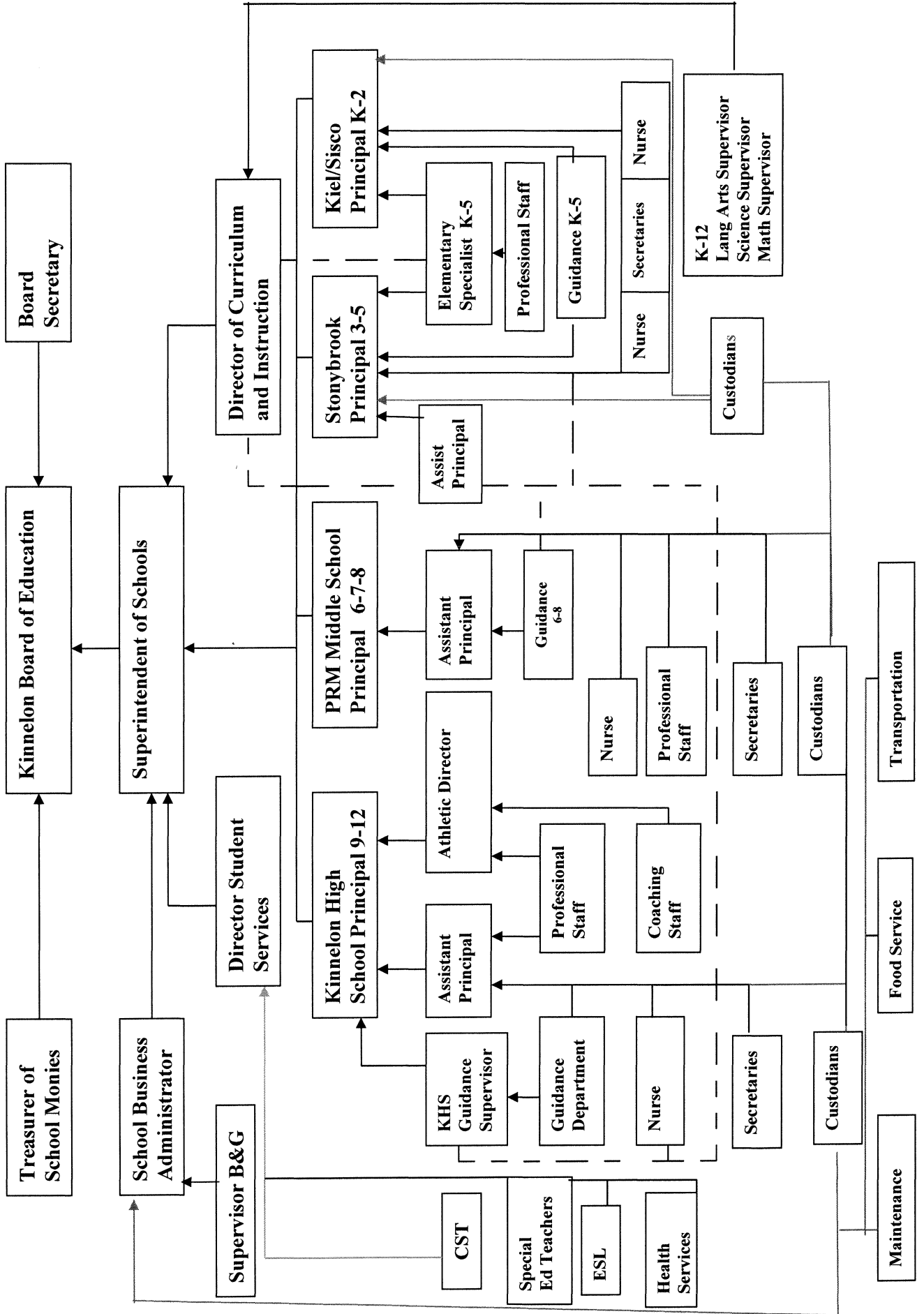
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Kinnelon School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully Submitted,


Diane DiGiuseppe
Superintendent


Kerry A. Keane
Board Secretary/Business Administrator

KINNELON SCHOOL DISTRICT
ORGANIZATIONAL CHART



BOROUGH OF KINNELON BOARD OF EDUCATION KINNELON, NEW JERSEY

ROSTER OF OFFICIALS JUNE 30, 2019

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Jason DeAlessi	President	2019
Dr. Marcy Pryor	Vice President	2019
Marianne DeAlessi	Member	2020
Dr. Peter Hughes	Member	2021
Susan Nogaj-Matteson	Member	2019
Nathan Nussbaum	Member	2020
Michael Petruccelli	Member	2021

Other Officials

Diane DiGiuseppe, Superintendent

Kerry A. Keane, Business Administrator / Board Secretary

Jennifer Stillman, Treasurer of School Monies

Apruzzese, McDermott, Mastro, Murphy, Board Attorney

KINNELON BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

John J. Mooney
Nisivoccia LLP
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856

ATTORNEYS

Apruzzese, McDermott, Mastro & Murphy
25 Independence Boulevard
Box 112
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Andrea Kahn
McManimon & Scotland
1037 Raymond Blvd., Suite 400
Newark, NJ 07102

OFFICIAL DEPOSITORY

Lakeland Bank
Route 23 North
Kinnelon, NJ 07405

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and postemployment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members
of the Board of Education
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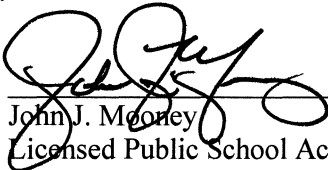
The accompanying other supplementary schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 13, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP
NISIVOCCIA LLP


John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Management's Discussion and Analysis (Unaudited)

This section of Kinnelon Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the district's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the district's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the district, reporting the district's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the district operates like a business, such as food services and the enrichment program.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Kinnelon Borough's School District Financial Report

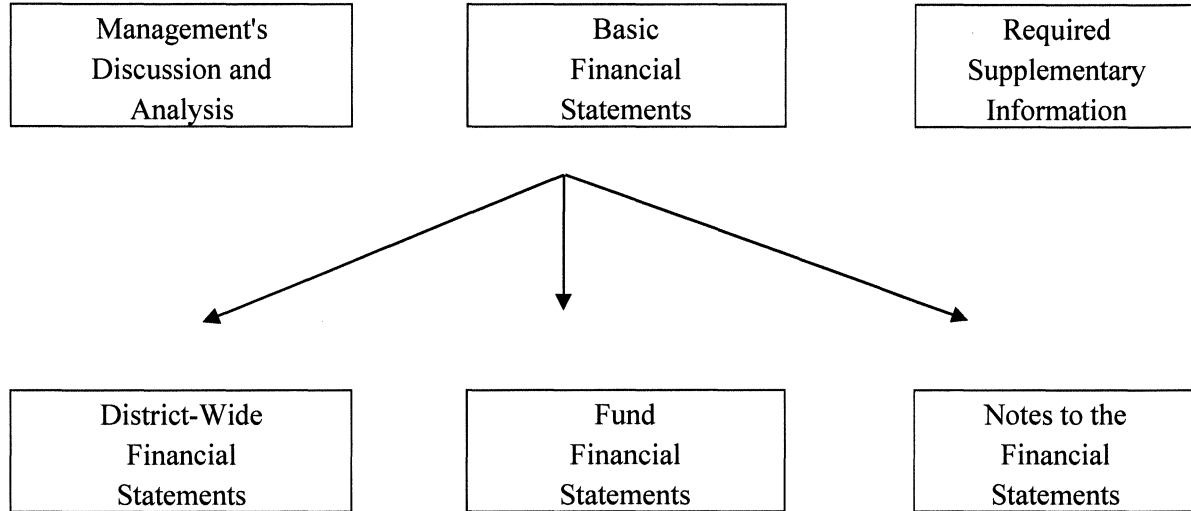


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements		
	District-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, food services and enrichment program	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets, deferred inflows and outflows and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position – the difference between the district's assets, deferred inflows and outflows and liabilities – is one way to measure the district's financial health or *position*.

- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, you need to consider additional nonfinancial factors such as changes in the district's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the district's activities are divided into two categories:

- *Governmental activities*: Most of the district's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The district charges fees to help it cover the costs of certain services it provides. The district's food service and enrichment program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the district's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The district's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The district uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The district currently does not maintain any internal service funds.

- *Fiduciary funds*: The district is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements: Provides additional information essential to full understanding of District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position: The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2019 and 2018. The District's *combined* net position was \$13,680,370 on June 30, 2019, \$380,788 or 2.78% more than the prior fiscal year. The net position of the governmental activities increased by \$390,186 and net position of the business-type activities decreased by \$9,398.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	Change
Current and Other Assets	\$ 4,065,648	\$ 3,834,373	\$ 360,187	\$ 370,895	\$ 4,425,835	\$ 4,205,268	
Capital Assets, Net	37,365,503	38,599,803	50,261	43,823	37,415,764	38,643,626	
Total Assets	<u>41,431,151</u>	<u>42,434,176</u>	<u>410,448</u>	<u>414,718</u>	<u>41,841,599</u>	<u>42,848,894</u>	-2.41%
Deferred Outflows of Resources	<u>3,731,979</u>	<u>4,949,128</u>			<u>3,731,979</u>	<u>4,949,128</u>	-32.61%
Other Liabilities	753,559	778,739	20,466	15,338	774,025	794,077	
Long-Term Liabilities	27,903,096	31,428,197			27,903,096	31,428,197	
Total Liabilities	<u>28,656,655</u>	<u>32,206,936</u>	<u>20,466</u>	<u>15,338</u>	<u>28,677,121</u>	<u>32,222,274</u>	-12.36%
Deferred Inflows of Resources	<u>3,216,087</u>	<u>2,276,166</u>			<u>3,216,087</u>	<u>2,276,166</u>	29.23%
Net Position:							
Net Investment in Capital Assets	22,001,528	22,277,585	50,261	43,823	22,051,789	22,321,408	
Restricted	2,263,871	2,153,249			2,263,871	2,153,249	
Unrestricted/(Deficit)	<u>(10,975,011)</u>	<u>(11,530,632)</u>	<u>339,721</u>	<u>355,557</u>	<u>(10,635,290)</u>	<u>(11,175,075)</u>	
Total Net Position	<u>\$ 13,290,388</u>	<u>\$ 12,900,202</u>	<u>\$ 389,982</u>	<u>\$ 399,380</u>	<u>\$ 13,680,370</u>	<u>\$ 13,299,582</u>	2.78%

Figure A-4 represents the *Changes in net position*. Net investment in capital assets decreased \$269,619 due to capital asset disposals and current fiscal year depreciation, offset by increases in capital assets, bonded debt paid down and capital leases paid down. Restricted net position increased \$110,622 as a result of a net increase in the capital reserve. The deficit in unrestricted net position decreased by \$539,785 primarily due to the changes in compensated absences payable, net pension liability, deferred inflows and outflows of resources related to pensions, unexpended budget appropriations and an excess in state revenues.

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities	Business-Type Activities	Total School District	Governmental Activities	Business-Type Activities	Total School District	Percentage Change
	2018/19	2018/19	2018/19	2017/18	2017/18	2017/18	2018/19
Revenue:							
Program Revenue:							
Charges for Services	\$ 114,297	\$ 761,036	\$ 875,333	\$ 65,469	\$ 805,552	\$ 871,021	
Operating Grants and Contributions							
	13,597,932	84,349	13,682,281	16,195,716	90,196	16,285,912	
General Revenue:							
Property Taxes	37,720,037		37,720,037	37,515,615		37,515,615	
Other	163,895	677	164,572	168,724	666	169,390	
Total Revenue	51,596,161	846,062	52,442,223	53,945,524	896,414	54,841,938	-4.38%
Expenses:							
Instruction	27,278,310		27,278,310	30,080,360		30,080,360	
Pupil and Instruction Services							
	10,763,001		10,763,001	10,845,600		10,845,600	
Administrative and Business							
	4,386,029		4,386,029	4,691,126		4,691,126	
Maintenance and Operations							
	4,554,978		4,554,978	4,554,839		4,554,839	
Transportation	2,413,206		2,413,206	2,220,667		2,220,667	
Other	1,810,451	855,460	2,665,911	1,858,935	859,648	2,718,583	
Total Expenses	51,205,975	855,460	52,061,435	54,251,527	859,648	55,111,175	-5.53%
Other Item - Disposal of Capital Assets							
					(6,264)	(6,264)	100.00%
Increase/(Decrease) in Net Position							
	\$ 390,186	\$ (9,398)	\$ 380,788	\$ (306,003)	\$ 30,502	\$ (275,501)	238.22%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. This was mostly attributable to significant decreases in compensated absences payable and the net pension liability of the District in the current year, offset by the increased costs of maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils. The District is also faced with significant increases in health benefit costs.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Continued participation in several co-op purchasing programs to reduce costs.
- Monitoring of Special Education Costs and Out of District Tuition

It is crucial that the District continue to examine its expenses carefully. Increasing teacher, parental and student demands for new activities and programs must be evaluated thoroughly. District resources continue to be at their tightest level in many years.

Figure A-5 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2018/19	2018/19	2017/18	2017/18
Instruction	\$ 27,278,310	\$ 17,630,705	\$ 30,080,360	\$ 18,641,296
Pupil and Instruction Services	10,763,001	8,116,769	10,845,600	7,557,995
Administrative and Business	4,386,029	3,463,634	4,691,126	3,465,362
Maintenance and Operations	4,554,978	4,487,466	4,554,839	4,489,206
Transportation	2,413,206	1,984,721	2,220,667	1,977,548
Other	1,810,451	1,810,451	1,858,935	1,858,935
	<u>\$ 51,205,975</u>	<u>\$ 37,493,746</u>	<u>\$ 54,251,527</u>	<u>\$ 37,990,342</u>

Business-Type Activities

Net position from the District's business-type activities decreased by the net amount of \$9,398, comprised of a \$14,488 decrease in the Food Service program and a \$5,090 increase in the Enrichment program (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's financial position improved despite the rising challenge of difficult economic times. Expenditures during the recent year increased significantly as a result of an increased number of pupils with disabilities. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services.

Other significant areas of budget increases have been in health insurance and energy. Insurance costs for all staff have continued to dramatically increase.

Difficult economic times have had a direct impact upon the District's revenue sources. As required by the enacted legislation, the District offset the tax levy by reducing unassigned fund balance to 2% of the current expense budget. As overall revenue for the District diminishes, the amount of funds generated to offset the tax levy likewise decreases.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

- Over the course of the year, the District reviewed the annual operating budget several times. These budget amendments were for changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Long-Term Liabilities

**Figure A-6
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	Change 2018/19
Land	\$ 45,810	\$ 45,810			\$ 45,810	\$ 45,810	
Buildings and Building Improvements	36,671,495	37,788,193			36,671,495	37,788,193	
Machinery and Equipment	648,198	765,800	\$ 50,261	\$ 43,823	698,459	809,623	
Total Capital Assets (net of Depreciation)	<u>\$ 37,365,503</u>	<u>\$ 38,599,803</u>	<u>\$ 50,261</u>	<u>\$ 43,823</u>	<u>\$ 37,415,764</u>	<u>\$ 38,643,626</u>	-3.18%

The District's capital assets decreased by \$1,227,862. Capital assets disposals, net of depreciation, totaled \$840 and total depreciation was \$1,268,476, offset by capital acquisitions of \$41,454.

Long-term Liabilities

At year-end, the District had \$27,903,096 in general obligation bonds and other long-term liabilities outstanding, a decrease of \$3,525,101 or 11.22% from the previous year, as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

**Figure A-7
Long-Term Liabilities**

	Total School District		Percentage
	2018/19	2017/18	Change 2018/19
General Obligation Bonds (Financed with Property Taxes)	\$ 15,995,000	\$ 16,950,000	
Unamortized Bond Premium	1,573,198	1,722,142	
Net Pension Liability	9,616,368	11,326,970	
Compensated Absences	662,518	1,264,289	
Capital Leases	56,012	164,796	
	<u>\$ 27,903,096</u>	<u>\$ 31,428,197</u>	-11.22%

The District paid down \$955,000 of bonds and \$108,784 of capital leases, amortized \$148,944 of bond premiums, its net pension liability decreased by \$1,710,602 and there was a net decrease in compensated absences of \$601,771.

Factors Bearing on the District's Future Revenue/Expense Changes

The impact of School Funding Reform Act. The School Funding Reform Act, adopted by the State of New Jersey on January 13, 2008, provided a new funding formula which would meet the requirements of Abbott v Burke in future years. The legislation requires each district to provide a local "fair share" contribution to property taxes to support schools, and establishes an "adequacy budget" for each district. The adequacy budget is based a state formula for each expenditure that is needed to provide a thorough and efficient education. The formula also includes enrollment and other factors such as the number of special education students and at-risk, or poor students.

The impact of S29, adopted by the State of New Jersey on July 13, 2010 reduced the District's ability to increase taxes. While A1 legislation in 2007 restricted increases in the District's tax levy to 4%, this legislation, further reduced any increase in tax levy to no more than 2%. The District will need to focus on containing increases in areas such as health benefits and other employee benefits.

The impact of S2937 adopted by the State of New Jersey on June 28, 2011 provides pension and health benefit reforms. This legislation has provided some long term cost containment for pension and health benefit costs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, Glen Sisco School, 109 Kiel Road, Kinnelon, NJ 07405.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 934,885	\$ 335,478	\$ 1,270,363
Receivables from Other Governments	1,043,419	3,413	1,046,832
Other Receivables	8,625		8,625
Internal Balances	(10,607)	10,607	
Interfund Receivable	3,822		3,822
Inventory		10,689	10,689
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	2,085,504		2,085,504
Capital Assets:			
Sites (Land)	45,810		45,810
Depreciable Buildings and Building Improvements and Machinery and Equipment	37,319,693	50,261	37,369,954
Total Assets	<u>41,431,151</u>	<u>410,448</u>	<u>41,841,599</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Refunding	687,037		687,037
Deferred Outflows of Resources Related to Pensions	3,044,942		3,044,942
Total Deferred Outflows of Resources	<u>3,731,979</u>		<u>3,731,979</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	254,933		254,933
Accounts Payable	491,278		491,278
Payable to State Government	59		59
Payable to Federal Government	3,253		3,253
Unearned Revenue	4,036	20,466	24,502
Noncurrent Liabilities:			
Due Within One Year	1,133,944		1,133,944
Due Beyond One Year	26,769,152		26,769,152
Total Liabilities	<u>28,656,655</u>	<u>20,466</u>	<u>28,677,121</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources Related to Pensions	3,216,087		3,216,087
Total Deferred Inflows of Resources	<u>3,216,087</u>		<u>3,216,087</u>
NET POSITION			
Net Investment in Capital Assets	22,001,528	50,261	22,051,789
Restricted for:			
Capital Projects	2,085,504		2,085,504
Excess Surplus	178,367		178,367
Unrestricted/(Deficit)	(10,975,011)	339,721	(10,635,290)
Total Net Position	<u>\$ 13,290,388</u>	<u>\$ 389,982</u>	<u>\$ 13,680,370</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:							
Instruction:							
Regular	\$ 19,088,105	\$ 114,297	\$ 5,458,973		\$ (13,514,835)		\$ (13,514,835)
Special Education	6,155,701		3,847,540		(2,308,161)		(2,308,161)
Other Special Instruction	809,382		226,795		(582,587)		(582,587)
Other Instruction	1,225,122				(1,225,122)		(1,225,122)
Support services:							
Tuition	2,096,440		376,532		(1,719,908)		(1,719,908)
Student & Instruction Related Services	8,666,561		2,269,700		(6,396,861)		(6,396,861)
General Administrative Services	774,726		125,855		(648,871)		(648,871)
School Administrative Services	2,987,848		796,540		(2,191,308)		(2,191,308)
Central Services	532,865				(532,865)		(532,865)
Administrative Information Technology	90,590				(90,590)		(90,590)
Plant Operations and Maintenance	4,554,978		67,512		(4,487,466)		(4,487,466)
Pupil Transportation	2,413,206		428,485		(1,984,721)		(1,984,721)
Transfer of Funds to Charter Schools	28,505				(28,505)		(28,505)
Interest on Long-Term Debt	656,078				(656,078)		(656,078)
Unallocated Depreciation	1,125,868				(1,125,868)		(1,125,868)
Total Governmental Activities	51,205,975	114,297	13,597,932	\$ -0-	(37,493,746)	\$ -0-	(37,493,746)

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 600,531	\$ 501,694	\$ 84,349		\$ (14,488)	\$ (14,488)	
Enrichment Program	254,929	259,342			4,413	4,413	
Total Business-Type Activities	855,460	761,036	84,349		(10,075)	(10,075)	
Total Primary Government	\$ 52,061,435	\$ 875,333	\$ 13,682,281	\$ -0-	\$ (37,493,746)	(10,075)	\$ (37,503,821)

General Revenues:

Taxes:							
Property Taxes, Levied for General Purposes, Net					36,123,368		36,123,368
Taxes Levied for Debt Service					1,596,669		1,596,669
Investment Earnings					7,665	677	8,342
Miscellaneous Income					153,376		153,376
Federal Aid Not Restricted					2,854		2,854
Total General Revenues					37,883,932	677	37,884,609
Change in Net Position					390,186	(9,398)	380,788
Net Position - Beginning					12,900,202	399,380	13,299,582
Net Position - Ending					\$ 13,290,388	\$ 389,982	\$ 13,680,370

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

KINNELON BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 934,885		\$ 934,885
Receivables from State Government	986,939		986,939
Receivables from Federal Government		\$ 56,480	56,480
Other Receivables		8,625	8,625
Interfunds Receivable	61,579		61,579
Restricted Cash and Cash Equivalents	2,085,504		2,085,504
Total Assets	\$ 4,068,907	\$ 65,105	\$ 4,134,012
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payable to State Government		\$ 59	\$ 59
Payable to Federal Government		3,253	3,253
Interfund Payable	\$ 10,607	57,757	68,364
Unearned Revenue		4,036	4,036
Total Liabilities	10,607	65,105	75,712
Fund Balances:			
Restricted for:			
Capital Reserve	2,085,504		2,085,504
Excess Surplus - Prior Year:			
For Subsequent Year's Expenditures	178,367		178,367
Assigned:			
Year-end Encumbrances	546,989		546,989
Unassigned	1,247,440		1,247,440
Total Fund Balances	4,058,300		4,058,300
Total Liabilities and Fund Balances	\$ 4,068,907	\$ 65,105	

Amounts reported for Governmental Activities in the Statement of Net Positions (A-1) are different because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.	\$ 37,365,503
Bond issuance premiums are reported as a revenue in the Governmental Funds in the year of receipt.	(1,573,198)
Deferred amount on refunding is not reported as an expense in the Governmental Funds in the year of expense.	687,037
Accrued liability for interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(254,933)
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	(9,616,368)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Deferred Outflows of Resources Related to Pensions, Excluding Contribution Subsequent to Measurement Date	2,553,664
Deferred Inflows of Resources Related to Pensions	(3,216,087)
Other Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds	(16,713,530)
Net Position of Governmental Activities	\$ 13,290,388

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 36,123,368		\$ 1,596,669	\$ 37,720,037
Tuition	114,297			114,297
Interest Earned	7,665			7,665
Miscellaneous	153,376	\$ 99,866		253,242
Total - Local Sources	36,398,706	99,866	1,596,669	38,095,241
State Sources	8,726,955	4,314	67,512	8,798,781
Federal Sources	2,854	464,917		467,771
Total Revenue	45,128,515	569,097	1,664,181	47,361,793
EXPENDITURES:				
Current:				
Regular Instruction	11,532,940	102,919		11,635,859
Special Education Instruction	3,541,177	47,510		3,588,687
Other Special Instruction	469,986			469,986
Other Instruction	970,274			970,274
Support Services and Undistributed Costs:				
Tuition	1,719,908	376,532		2,096,440
Student & Instruction Related Services	5,352,744	42,136		5,394,880
General Administrative Services	581,108			581,108
School Administrative Services	1,779,306			1,779,306
Central Services	402,750			402,750
Administrative Information Technology	92,154			92,154
Plant Operations and Maintenance	3,347,197			3,347,197
Pupil Transportation	2,339,582			2,339,582
Unallocated Benefits	11,991,779			11,991,779
Transfer of Funds to Charter Schools	28,505			28,505
Debt Service:				
Principal			955,000	955,000
Interest and Other Charges			709,181	709,181
Capital Outlay	729,361			729,361
Total Expenditures	44,878,771	569,097	1,664,181	47,112,049
Excess of Revenue Over Expenditures	249,744			249,744
Fund Balance — July 1	3,808,556			3,808,556
Fund Balance — June 30	\$ 4,058,300	\$ -0-	\$ -0-	\$ 4,058,300

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (from B-2)		
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		\$ 249,744
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and deletions exceeded capital outlays.		
	Depreciation expense	\$ (1,259,138)
	Capital outlays	25,678
	Disposal of capital assets, net of accumulated depreciation	<u>(840)</u>
		(1,234,300)
Repayment of serial bonds is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		955,000
In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		601,771
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)		9,700
Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		108,784
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		1,710,602
Change in Deferred Outflows of Resources Related to Pensions		(1,114,597)
Change in Deferred Inflows of Resources Related to Pensions		(939,921)
The governmental funds report the effect of the deferred amount on refunding when debt is first issued, where as this amount is deferred and amortized in the statement of activities.		(105,541)
The governmental funds report the effect of a bond premium when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (+)		<u>148,944</u>
Change in Net Position of Governmental Activities		<u>\$ 390,186</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major Funds</u>		<u>Total</u>
	<u>Food</u> <u>Service</u>	<u>Enrichment</u> <u>Program</u>	<u>Enterprise</u> <u>Funds</u>
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 12,870	\$ 322,608	\$ 335,478
Accounts Receivable:			
Federal	3,147		3,147
State	266		266
Interfund Receivable	10,607		10,607
Inventories	10,689		10,689
	<u>37,579</u>	<u>322,608</u>	<u>360,187</u>
Total Current Assets			
Non-Current Assets:			
Capital Assets	412,657		412,657
Less: Accumulated Depreciation	(362,396)		(362,396)
	<u>50,261</u>		<u>50,261</u>
Total Non-Current Assets			
	<u>87,840</u>	<u>322,608</u>	<u>410,448</u>
Total Assets			
<u>LIABILITIES:</u>			
Current Liabilities:			
Unearned Revenue - Prepaid Sales	18,808		18,808
Unearned Revenue - Donated Commodities	1,658		1,658
	<u>20,466</u>		<u>20,466</u>
Total Current Liabilities			
	<u>20,466</u>		<u>20,466</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets	50,261		50,261
Unrestricted	17,113	322,608	339,721
	<u>67,374</u>	<u>322,608</u>	<u>389,982</u>
Total Net Position			

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 209,048		\$ 209,048
Daily Sales - Non-Reimbursable Programs	292,646		292,646
Program Fees		\$ 259,342	259,342
Total Operating Revenue	501,694	259,342	761,036
Operating Expenses:			
Reimbursable Cost of Sales	136,823		136,823
Non-Reimbursable Cost of Sales	153,659		153,659
Salaries, Benefits & Payroll Taxes	257,420	211,239	468,659
Employee Benefits		10,902	10,902
Management Fee	16,748		16,748
Professional and Technical Services	175		175
Depreciation Expense	9,338		9,338
Supplies and Materials	1,738	5,592	7,330
Administrative Expense	24,630	27,196	51,826
Total Operating Expenses	600,531	254,929	855,460
Operating Income/(Loss)	(98,837)	4,413	(94,424)
Non-Operating Income:			
Local Sources:			
Interest Income		677	677
State Sources:			
State School Lunch Program	3,945		3,945
Federal Sources:			
National School Lunch Program	47,588		47,588
Food Distribution Program	32,816		32,816
Total Non-Operating Income	84,349	677	85,026
Change in Net Position	(14,488)	5,090	(9,398)
Net Position - Beginning of Year	81,862	317,518	399,380
Net Position - End of Year	\$ 67,374	\$ 322,608	\$ 389,982

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 506,794	\$ 259,342	\$ 766,136
Payments to Employees	(257,420)	(211,239)	(468,659)
Payments for Benefits		(10,902)	(10,902)
Payments to Suppliers	(306,631)	(5,592)	(312,223)
Payments for Administrative Expenses		(27,196)	(27,196)
Net Cash Provided by/(Used for) Operating Activities	<u>(57,257)</u>	<u>4,413</u>	<u>(52,844)</u>
Cash Flows Used for Capital Financing Activities:			
Acquisition of Equipment	(15,776)		(15,776)
Net Cash Flows Used for Capital Financing Activities	<u>(15,776)</u>		<u>(15,776)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	52,197		52,197
Net Cash Provided by Noncapital Financing Activities	<u>52,197</u>	<u>-0-</u>	<u>52,197</u>
Cash Flows from Investing Activities:			
Investment Income		677	677
Net Cash Flows Provided by Investing Activities		<u>677</u>	<u>677</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(20,836)	5,090	(15,746)
Cash and Cash Equivalents, July 1	<u>33,706</u>	<u>317,518</u>	<u>351,224</u>
Cash and Cash Equivalents, June 30	<u>\$ 12,870</u>	<u>\$ 322,608</u>	<u>\$ 335,478</u>
Reconciliation of Operating Income/(Loss) to Net			
Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (98,837)	\$ 4,413	\$ (94,424)
Adjustment to Reconcile Operating Income/(Loss) to Net			
Cash Provided by/(Used for) Operating Activities:			
Federal Food Distribution Program	32,816		32,816
Depreciation Expense	9,338		9,338
Changes in Assets and Liabilities:			
(Increase) in Inventory	(5,702)		(5,702)
Increase in Prepaid Sales	5,100		5,100
Increase in Unearned Revenue	28		28
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (57,257)</u>	<u>\$ 4,413</u>	<u>\$ (52,844)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$32,844 and utilized \$32,816 for the fiscal year ended June 30, 2019.

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Agency Fund
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 145,619	\$ 20,255	\$ 243,227	\$ 265,410
Total Assets	145,619	20,255	243,227	265,410
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings				70
Interfund Payable General Fund				3,822
Due to Student Groups				261,518
Total Liabilities				265,410
<u>NET POSITION:</u>				
Held in Trust for:				
Flexible Spending Claims		20,255		
Unemployment Claims	145,619			
Restricted for Scholarships			243,227	
Total Net Position	\$ 145,619	\$ 20,255	\$ 243,227	\$ -0-

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:				
Contributions:				
Plan Members	\$ 59,154	\$ 43,321		\$ 102,475
Donations			\$ 60,000	60,000
Total Contributions	59,154	43,321	60,000	162,475
Investment Earnings:				
Interest		2	395	397
Total Investment Earnings		2	395	397
Total Additions	59,154	43,323	60,395	162,872
DEDUCTIONS:				
Flexible Spending Claims		39,255		39,255
Unemployment Compensation Claims	67,338			67,338
Scholarships Awarded			66,250	66,250
Total Deductions	67,338	39,255	66,250	172,843
Change in Net Position	(8,184)	4,068	(5,855)	(9,971)
Net Position - Beginning of the Year	153,803	16,187	249,082	419,072
Net Position - End of the Year	\$ 145,619	\$ 20,255	\$ 243,227	\$ 409,101

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Kinnelon Borough School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business type activities are financed in part by fees charged to external parties.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

District-Wide Financial Statements (Cont'd)

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenue identifies the extent to which each government function or business segment is self-financing or draws from the general revenue of the District.

Fund Financial Statements

During the fiscal year, the School District segregated transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following governmental funds: (Cont'd)

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The District reports the following proprietary funds:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The Food Service fund is utilized to account for the operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Enterprise (Enrichment Program) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's enrichment program. This program provides before and after school activities, as well as kindergarten enrichment opportunities to students who subscribe to the program. The Enrichment Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund, the Private Purpose Scholarship Fund, Flexible Spending Trust Fund, and Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue fund and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the state is recording the last two state aid payments in the subsequent year, the District cannot recognize these payments on the GAAP financial statements.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenue and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 45,145,225	\$ 580,530
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		(11,433)
Prior Year State Aid Payment Recognized for GAAP Purposes, not Recognized for Budgetary Statements	149,723	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(166,433)	
Total Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 45,128,515	\$ 569,097
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 44,878,771	\$ 580,530
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(11,433)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 44,878,771	\$ 569,097

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit, with maturities of one year or less when purchased, are stated at cost.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions

Transfers between governmental and business-type activities on the district-wide statements are reported in the same manner as general revenue. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenue/expenses in the Enterprise Funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

G. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

K. Capital Assets

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets (Cont'd)

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings and Building Improvements	50
Machinery and Equipment	10 to 15
Computer and Related Technology	5
Vehicles	8

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long-Term Liabilities

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2019.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various contracts/agreements. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions/individual employees.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences (Cont'd)

In the district-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due after one year.

O. Unearned Revenue

Unearned revenue represents cash which has been received but not yet earned.

P. Fund Balance Appropriated

General Fund: Of the \$4,058,300 General Fund fund balance at June 30, 2019, \$546,989 is assigned for encumbrances; \$2,085,504 is restricted in the capital reserve account; \$178,367 is restricted for excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended, and included as anticipated revenue for the fiscal year ending June 30, 2020; and \$1,247,440 is unassigned which is \$166,433 less on the GAAP basis than the calculated maximum unassigned fund balance (budgetary basis) due to the June state aid payments which are not recognized until the fiscal year ended June 30, 2020.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2019 as outlined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$166,433 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the related state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Net Position

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2019 related to pensions and for the deferred amount on refunding of debt related to the District's refunding bonds. The District had deferred inflows of resources related to pensions at June 30, 2019.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Net Position (Cont'd)

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Deficit Net Position

The District's governmental activities has a \$10,975,011 deficit in unrestricted net position, primarily due to the accrual of compensated absences payable, accrued interest payable, unamortized bond issuance premiums, net pension liability and deferred inflows of resources related to pensions, offset by deferred outflows of resources related to pensions and Governmental Funds unassigned and assigned fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and also includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned. Fund balance restrictions have been established for capital reserve and excess surplus.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2019.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances in the General Fund at June 30, 2019.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified-accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the school district on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest, and tuition.

U. Operating Revenue and Expenses

Operating revenue is those revenues that are generated directly from the primary activity of the respective Proprietary Fund. For the School District, these revenues are sales for food service and fees for the enrichment program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the respective Proprietary Fund.

V. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits

New Jersey statutes require that School Districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

New Jersey statutes permit the Board to purchase the following types of securities: (Cont'd)

- (9) Deposit of funds in accordance with the following conditions:
 - (a) the funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) the designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) the designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) on the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2019, cash and cash equivalents of the District consisted of the following:

Accounts	Cash and Cash Equivalents	Cash and Cash Equivalents Capital Reserve Account	Total
Checking Accounts	\$ 1,944,874	\$ 2,085,504	\$ 4,030,378

During the period ending June 30, 2019, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2019 was \$4,030,378 and the bank balance was \$5,743,916.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Kinnelon Board of Education by inclusion of \$100 on February 9, 1999, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long-Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$ 1,974,882
Interest Earned	800
Increase per Board Resolution	449,822
Budgeted Withdrawal	<u>(340,000)</u>
Ending Balance, June 30, 2019	<u>\$ 2,085,504</u>

The balance in the capital reserve account at June 30, 2019 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2019 were as follows:

Activities	Beginning Balance	Additions	Adjustments	Ending Balance
Governmental Activities:				
Assets not Depreciated:				
Land	\$ 45,810			\$ 45,810
Total Assets not Depreciated	<u>45,810</u>			<u>45,810</u>
Assets Being Depreciated:				
Buildings and Building Improvements	60,734,403			60,734,403
Machinery and Equipment	5,607,400	\$ 25,678	\$ (2,100)	5,630,978
Total Assets Being Depreciated	<u>66,341,803</u>	<u>25,678</u>	<u>(2,100)</u>	<u>66,365,381</u>
Governmental Activities Capital Assets	<u>66,387,613</u>	<u>25,678</u>	<u>(2,100)</u>	<u>66,411,191</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(22,946,210)	(1,116,698)		(24,062,908)
Machinery and Equipment	(4,841,600)	(142,440)	1,260	(4,982,780)
Total Accumulated Depreciation	<u>(27,787,810)</u>	<u>(1,259,138)</u>	<u>1,260</u>	<u>(29,045,688)</u>
Governmental Capital Assets, Net of Accumulated Depreciation	<u>\$ 38,599,803</u>	<u>\$ (1,233,460)</u>	<u>\$ (840)</u>	<u>\$ 37,365,503</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Capital assets balances and activity for the year ended June 30, 2019 were as follows: (Cont'd)

Activities	Beginning Balance	Additions	Adjustments	Ending Balance
Business-Type Activities:				
Machinery and Equipment	\$ 396,881	\$ 15,776		\$ 412,657
Less: Accumulated Depreciation	(353,058)	(9,338)		(362,396)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 43,823</u>	<u>\$ 6,438</u>	<u>\$ -0-</u>	<u>\$ 50,261</u>

Depreciation expense was charged to governmental functions as follows:

	Amount
Regular Instruction	\$ 39,755
General Administrative Services	5,277
Plant Operations and Maintenance	15,981
Pupil Transportation	72,257
Unallocated	<u>1,125,868</u>
Total Depreciation Expense	<u>\$ 1,259,138</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2019, the District made transfers to capital outlay accounts of \$38,976; \$35,926 for equipment which did not require County Superintendent approval and \$3,050 for facilities acquisition and construction services for which County Superintendent approval was required.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance June 30, 2018	Issued/ Accrued	Retired	Balance June 30, 2019
Serial Bonds Payable	\$ 16,950,000		\$ 955,000	\$ 15,995,000
Unamortized Bond Premium	1,722,142		148,944	1,573,198
Net Pension Liability	11,326,970		1,710,602	9,616,368
Compensated Absences	1,264,289	\$ 16,528	618,299	662,518
Capital Leases	164,796		108,784	56,012
Total	<u>\$ 31,428,197</u>	<u>\$ 16,528</u>	<u>\$ 3,541,629</u>	<u>\$ 27,903,096</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the school district through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be liquidated through the debt service fund.

The District had serial bonds outstanding as of June 30, 2019 as follows:

Purpose	Issue Dates	Interest Rates	Final Date of Maturity	Balance June 30, 2019
Refunding Bond of 2002 Issue	9/14/2010	3.00-4.00%	10/1/2023	\$ 4,780,000
Refunding Bond of 2006/2007 Issues	2/10/2015	2.00-5.00%	2/1/2033	11,215,000
				<u>\$ 15,995,000</u>

The current portion of bonds payable at June 30, 2019 is \$985,000 and the long-term portion is \$15,010,000.

Debt service requirements on serial bonds payable at June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 985,000	\$ 670,581	\$ 1,655,581
2021	995,000	631,481	1,626,481
2022	985,000	597,181	1,582,181
2023	1,005,000	567,516	1,572,516
2024	1,045,000	535,838	1,580,838
Thereafter:			
2025-2029	5,545,000	2,096,175	7,641,175
2030-2033	5,435,000	647,675	6,082,675
	<u>\$ 15,995,000</u>	<u>\$ 5,746,447</u>	<u>\$ 21,741,447</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2019, the Board has no bonds authorized but not issued.

C. Capital Leases Payable:

The District is leasing school buses under a five year capital lease totaling \$273,737 of which \$217,725 has been liquidated as of June 30, 2019. A schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments as of June 30, 2019 is on the following page.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable: (Cont'd)

<u>Year</u>	<u>Amount</u>
2021	\$ 57,122
Less: Amount representing interest	<u>(1,110)</u>
Present value of net minimum lease payments	<u>\$ 56,012</u>

The entire \$56,012 of capital leases payable at June 30, 2019 is long-term. The General Fund will be used to liquidate capital leases payable.

D. Unamortized Bond Premiums:

Unamortized bond premiums are recorded as a long-term liability in the governmental funds. As of June 30, 2019, the current portion of the liability is \$148,944, and the long-term portion is \$1,424,254.

E. Compensated Absences Payable:

The liability for compensated absences of the Governmental Fund types is recorded in the current and long-term liabilities. The entire \$662,518 compensated absences payable balance at June 30, 2019 is long-term. The General Fund will be used to liquidate the Governmental Activities compensated absences payable

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2019, no liability existed for compensated absences in the Food Service Fund or Enrichment Fund.

F. Net Pension Liability:

The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The entire \$9,616,368 net pension liability at June 30, 2019 is long-term. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$488,289 for fiscal year 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

At June 30, 2019, the District reported a liability of \$9,616,368 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.0488%, which was an increase of 0.0002% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$841,066. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:	2014	6.44	\$ 76,114	
	2015	5.72	343,533	
	2016	5.57	1,164,971	
	2017	5.48		\$ 1,772,704
	2018	5.63		1,302,099
Subtotal			1,584,618	3,074,803
Changes in Proportion:	2014	6.44		1,497
	2015	5.72	178,276	
	2016	5.57	215,144	
	2017	5.48	358,599	
	2018	5.63	33,641	
Subtotal			785,660	1,497
Difference Between Expected and Actual Experience:	2015	5.72	95,312	
	2016	5.57	35,354	
	2017	5.48	52,720	
	2018	5.63		49,585
Subtotal			183,386	49,585
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:	2015	5.00		(58,108)
	2016	5.00		(324,856)
	2017	5.00		292,386
	2018	5.00		180,780
Subtotal				90,202
District Contribution Subsequent to the Measurement Date:	2018	1.00	491,278	
			\$ 3,044,942	\$ 3,216,087

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ 66,743
2020	(92,406)
2021	(662,626)
2022	(574,375)
2023	(183,922)
	<u>\$ (1,446,586)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale.

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.66%)	(5.66%)	(6.66%)
District's proportionate share of the Net Pension Liability	\$ 12,091,475	\$ 9,616,368	\$ 7,539,912

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$3,189,696 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,169,023.

The employee contribution rate was 7.50% effective July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$105,821,498. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.1663%, which was an increase of 0.0046% from its proportion measured as of June 30, 2017.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>105,821,498</u>
 Total		 <u>\$ 105,821,498</u>

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$6,169,023 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:			
2014	8.50 years	\$ 1,076,424,469	
2015	8.30 years	3,063,649,492	
2016	8.30 years	6,913,685,892	
2017	8.30 years		\$ 10,084,192,916
2018	8.29 years		5,994,557,085
Difference Between Expected and Actual Experience:			
2014	8.50 years		10,252,211
2015	8.30 years	189,214,650	
2016	8.30 years		85,977,601
2017	8.30 years	179,419,108	
2018	8.29 years	1,051,605,259	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2015	5 years		(192,642,062)
2016	5 years		(863,710,381)
2017	5 years		678,024,787
2018	5 years		384,121,486
		<u>\$ 12,473,998,870</u>	<u>\$ 16,180,773,643</u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	<u>(3,210,092,402)</u>
	<u>\$ (3,706,774,773)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55% - 4.55%
Thereafter	2.00% - 5.45%
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF (Cont'd)

The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 125,079,001	\$ 105,821,498	\$ 89,857,497

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$26,464 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$35,885 for the fiscal year ended June 30, 2019.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain OPEB obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	<u>217,131</u>
Total	<u><u>362,181</u></u>

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 4.55%	2.15 - 4.15%
	based on years of service	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%
	based on years of service	based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Mortality Rates

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using scale MP-2017. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using scale MP-2017. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using scale MP-2017.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The assumed Medicare Advantage trend rate is 4.5% in all future years.

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively, a change of +.29%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the District

	Total OPEB Liability
Balance at June 30, 2017	\$ 75,476,893
Changes for Year:	
Service Cost	2,669,302
Interest Cost	2,768,332
Difference Between Expected and Actual Experience	(7,949,087)
Changes in Assumptions	(7,341,194)
Member Contributions	59,121
Gross Benefit Payments	(1,710,609)
Net Changes	(11,504,135)
Balance at June 30, 2018	\$ 63,972,758

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018 calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 75,628,823	\$ 63,972,758	\$ 54,707,390

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018 calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 52,877,210	\$ 63,972,758	\$ 78,647,044

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$2,732,168 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018, the State deferred outflows of resources and deferred inflows of resources related to OPEB attributable to the District is from the following sources:

	Year of Deferral	Original Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54 years		\$ (7,770,571)
Changes in Assumptions	2018	9.51 years		(6,569,250)
				(14,339,821)
Difference Between Expected and Actual Experience	2018	9.51 years		(6,209,985)
Changes in Proportion	N/A	N/A		(1,163,736)
			\$ - 0 -	\$ (21,713,542)

N/A - Not Available

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB attributable to the District, excluding changes in proportion, will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ (2,532,252)
2020	(2,532,252)
2021	(2,532,252)
2022	(2,532,252)
2023	(2,532,252)
Total Thereafter	(7,888,546)
	\$ (20,549,806)

NOTE 10. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

403(b)

- | | |
|--|--|
| <ul style="list-style-type: none"> ➤ Equitable ➤ Great West (thru Lincoln Investments) ➤ Lincoln National | <ul style="list-style-type: none"> ➤ Metropolitan Life ➤ Met Life Investors ➤ Valic (AIG) |
|--|--|

457

- Equitable

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains its health benefit coverage through Horizon Blue Cross Blue Shield.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance:

The District maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance:

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the 'Benefit Reimbursement Method.

Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following is a summary of the District contributions, employee contributions, interest earned, reimbursements to the State for benefits paid, and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018-2019	\$ 59,154	\$ - 0 -	\$ 67,338	\$ 145,619
2017-2018	64,218	282	49,349	153,803
2016-2017	60,302	271	62,633	138,652

Property and Liability

The Kinnelon Borough School District is a member of the Pooled Insurance Program of New Jersey (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. The Kinnelon Borough School District receives only workers' compensation coverage from the Fund. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum.

Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No.10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property and Liability (Cont'd)

The June 30, 2019 audit report for the Fund is not available as of the date of this report. Selected summarized financial information for the Fund as of June 30, 2018 is as follows:

<u>Year Ended</u> <u>June 30, 2018</u>	<u>Pooled Insurance</u> <u>Program of</u> <u>New Jersey</u>
Total Assets	<u>\$ 20,370,655</u>
Net Position	<u>\$ 9,734,872</u>
Total Revenue	<u>\$ 7,318,956</u>
Total Expenses and Adjustments	<u>\$ 5,707,675</u>
Member Dividends	<u>\$ 1,402,434</u>
Change in Net Position	<u>\$ 208,847</u>

Financial statements for the Fund are available at the Fund Administrator's Office:

Pooled Insurance Program of New Jersey

Burton Agency, Inc.
44 Bergen Street
Westwood, New Jersey 07675
(201) 664-0301

NOTE 12. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

The School District participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

Arbitrage

The District may have a liability for arbitrage payable to the federal governments relative to its school bond issues. The amount of liability at June 30, 2019, if any, is unknown.

Encumbrances

At June 30, 2019, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Activities
\$ 546,989	\$ 27,736	\$ 574,725

On the District's Governmental Fund Balance Sheet as of June 30, 2019, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$27,736 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 14. ECONOMIC DEPENDENCY

The Board of Education receives support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivables and payables as of June 30, 2019.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 61,579	\$ 10,607
Special Revenue Fund		57,757
Enterprise Fund - Food Service	10,607	
Fiduciary Fund - Payroll Agency		3,822
	<u>\$ 72,186</u>	<u>\$ 72,186</u>

The General Fund interfund payable to the Enterprise Fund is due to a prior year balance not turned over by year end. The Special Revenue Fund interfund payable to the General Fund is due to the timing of the collection of Federal grant receipts. The Payroll Agency Fund interfund payable to the General Fund is due to a remaining prior year balance not turned over by year end.

NOTE 16. OPERATING LEASES PAYABLE

The District has commitments to lease copiers under three five-year operating leases which expire in the fiscal years 2021-22, 2022-23 and 2023-24. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2020	\$ 97,176
June 30, 2021	97,176
June 30, 2022	90,926
June 30, 2023	50,240
June 30, 2024	25,375
Total future minimum lease payments	<u>\$360,893</u>

NOTE 17. ACCOUNTS PAYABLE

Payables as of June 30, 2019 were as follows:

	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>
Due to State of New Jersey	<u>\$ 491,278</u>	<u>\$ 491,278</u>

**SCHEDULES OF
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

KINNELON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
District's Proportion of the Net Pension Liability	0.0406411768%	0.0437210765%	0.0460686155%	0.0486587120%	0.0488400797%
District's Proportionate Share of the Net Pension Liability	\$ 7,609,140	\$ 9,814,506	\$ 13,644,203	\$ 11,326,970	\$ 9,616,368
District's Covered Employee Payroll	\$ 2,986,913	\$ 3,155,047	\$ 3,306,119	\$ 3,307,672	\$ 3,558,963
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	254.75%	311.07%	412.70%	342.45%	270.20%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%	53.60%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

KINNELON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 327,943	\$ 375,884	\$ 409,267	\$ 469,189	\$ 488,289
Contributions in relation to the Contractually Required Contribution	(327,943)	(375,884)	(409,267)	(469,189)	(488,289)
Contribution Deficiency/(Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Employee Payroll	\$ 2,845,913	\$ 2,986,913	\$ 3,155,047	\$ 3,306,119	\$ 3,307,672
Contributions as a percentage of Covered Employee Payroll	11.52%	12.58%	12.97%	14.19%	14.76%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

KINNELON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's Proportion of the Net Pension Liability attributable to the District	0.1627893584%	0.1573076996%	0.1598515577%	0.1616932703%	0.1663393125%
State's Proportionate Share of the Net Pension Liability attributable to the District	\$ 84,305,810	\$ 99,425,184	\$ 125,749,413	\$ 109,019,433	\$ 105,821,498
District's Covered Employee Payroll	\$ 16,179,613	\$ 16,525,816	\$ 16,880,904	\$ 16,865,034	\$ 17,815,642
State's Proportionate Share of the Net Pension Liability attributable to the District as a percentage of the District's Covered Employee Payroll	521.06%	601.64%	744.92%	646.42%	593.98%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.64%	28.71%	22.33%	25.41%	26.49%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

KINNELON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 4,536,444	\$ 6,070,803	\$ 9,448,319	\$ 7,552,314	\$ 6,169,023
Contributions in relation to the Contractually Required Contribution	<u>(793,383)</u>	<u>(1,219,106)</u>	<u>(1,755,138)</u>	<u>(2,449,591)</u>	<u>(3,189,696)</u>
Contribution Deficiency/(Excess)	<u>\$ 3,743,061</u>	<u>\$ 4,851,697</u>	<u>\$ 7,693,181</u>	<u>\$ 5,102,723</u>	<u>\$ 2,979,327</u>
District's Covered Employee Payroll	\$ 16,525,816	\$ 16,880,904	\$ 16,865,034	\$ 17,815,642	\$ 18,279,018
Contributions as a percentage of Covered Employee Payroll	4.80%	7.22%	10.41%	13.75%	17.45%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

KINNELON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL
OPEB LIABILITY ATTRIBUTABLE TO THE DISTRICT AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$ 2,669,302	\$ 3,213,423
Interest Cost	2,768,332	2,391,220
Difference Between Expected and Actual Experience	(7,949,087)	
Changes in Assumptions	(7,341,194)	(9,968,959)
Member Contributions	59,121	64,373
Gross Benefit Payments	(1,710,609)	(1,748,205)
Net Change in Total OPEB Liability	(11,504,135)	(6,048,148)
Total OPEB Liability - Beginning	75,476,893	81,525,041
Total OPEB Liability - Ending	\$ 63,972,758	\$ 75,476,893
District's Covered Employee Payroll *	\$ 20,172,706	\$ 20,187,023
Total OPEB Liability as a Percentage of Covered Employee Payroll	317%	374%

* - Covered payroll for the fiscal years ending June 30, 2018 and 2017 is based on the payroll on the June 30, 2017 and 2016 census data, respectively.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	<u>As of June 30,</u>	
	<u>2018</u>	<u>2017</u>
Discount Rate	5.66%	5.00%
Municipal Bond Rate	3.87%	3.58%

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

	As of June 30,	
	2018	2017
Discount Rate	4.86%	4.25%
Municipal Bond Rate	3.87%	3.58%
Salary Increases:		
2011 - 2026	1.55% - 4.55%	
Thereafter	2.00% - 5.45%	
2012 - 2021		Varies based on
Thereafter		experience

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates utilized in the June 30, 2017 valuation were as follows: Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using scale MP-2017. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using scale MP-2017. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using scale MP-2017.

The mortality rates utilized in the June 30, 2018 valuation were as follows: Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using scale MP-2017. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using scale MP-2017. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using scale MP-2017.

The health care trend rates utilized in the June 30, 2017 valuation were as follows: For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The assumed Medicare Advantage trend rate is 4.5% in all future years.

The health care trend rates utilized in the June 30, 2018 valuation were as follows: For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The assumed Medicare Advantage trend rate is 4.5% in all future years.

BUDGETARY COMPARISON SCHEDULES

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 36,123,368		\$ 36,123,368	\$ 36,123,368	
Tuition from Individuals	9,400		9,400	25,467	\$ 16,067
Tuition from Other LEAs Within the State	94,000		94,000	88,830	(5,170)
Interest Revenue				6,865	6,865
Interest Revenue - Capital Reserve				800	800
Miscellaneous	150,000		150,000	153,376	3,376
Total - Local Sources	36,376,768		36,376,768	36,398,706	21,938
State Sources:					
Transportation Aid	430,416		430,416	430,416	
Special Education Aid	1,127,229		1,127,229	1,127,229	
Security Aid	164,769		164,769	164,769	
Extraordinary Aid	349,999		349,999	968,379	618,380
Extraordinary Aid - Prior Year Additional				2,175	2,175
Nonpublic School Transportation Costs				18,560	18,560
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)					
Post-Retirement Medical Benefits (Non-Budgeted)				3,189,696	3,189,696
Non-Contributory Insurance (Non-Budgeted)				1,477,127	1,477,127
Long-Term Disability Insurance (Non-Budgeted)				66,769	66,769
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				2,078	2,078
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,296,467	1,296,467
Total State Sources	2,072,413		2,072,413	8,743,665	6,671,252
Federal Sources:					
Medicaid Reimbursement (SEMI)				2,854	2,854
Total Federal Sources				2,854	2,854
TOTAL REVENUES	38,449,181		38,449,181	45,145,225	6,696,044

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 298,696	\$ (1,540)	\$ 297,156	\$ 297,047	\$ 109
Grades 1-5 - Salaries of Teachers	3,157,029	(17,575)	3,139,454	3,138,181	1,273
Grades 6-8 - Salaries of Teachers	3,034,294	30,850	3,065,144	3,065,143	1
Grades 9-12 - Salaries of Teachers	4,140,789	70,842	4,211,631	4,211,627	4
Regular Programs - Home Instruction:					
Salaries of Teachers	47,600	(41,954)	5,646	5,644	2
Purchased Professional - Educational Services	73,140	(59,443)	13,697	12,724	973
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	160,693	(25,700)	134,993	111,251	23,742
Other Purchased Services (400-500 series)	147,412	35,021	182,433	174,061	8,372
General Supplies	549,643	41,807	591,450	453,858	137,592
Textbooks	69,184	13,319	82,503	63,204	19,299
Other Objects	200		200	200	
Total Regular Programs - Instruction	11,678,680	45,627	11,724,307	11,532,940	191,367
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	221,001	(24,925)	196,076	196,074	2
Other Salaries for Instruction	30,604	36,619	67,223	66,622	601
General Supplies	1,826	(40)	1,786	1,786	
Total Learning and/or Language Disabilities	253,431	11,654	265,085	264,482	603
Auditory Impairments:					
Salaries of Teachers	5,000	24,884	29,884	29,883	1
Total Auditory Impairments	5,000	24,884	29,884	29,883	1

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	\$ 160,469	\$ (3,292)	\$ 157,177	\$ 157,176	\$ 1
Other Salaries for Instruction	281,349	(202,103)	79,246	79,201	45
General Supplies	4,257	(2,400)	1,857	1,605	252
Total Multiple Disabilities	446,075	(207,795)	238,280	237,982	298
Resource Room/Resource Center:					
Salaries of Teachers	2,025,436	38,226	2,063,662	2,062,596	1,066
Other Salaries for Instruction	137,132	220,971	358,103	356,858	1,245
General Supplies	6,400	(27)	6,373	6,372	1
Total Resource Room/Resource Center	2,168,968	259,170	2,428,138	2,425,826	2,312
Autism:					
Salaries of Teachers	149,509	1,399	150,908	150,908	
Other Salaries for Instruction	116,016	56,245	172,261	172,261	
General Supplies	3,020	545	3,565	1,762	1,803
Total Autism	268,545	58,189	326,734	324,931	1,803
Preschool Disabilities - Part-time:					
Salaries of Teachers	120,634	3,079	123,713	123,712	1
Other Salaries for Instruction	49,876	19,172	69,048	68,922	126
General Supplies	1,560	(98)	1,462	1,038	424
Total Preschool Disabilities - Part-time	172,070	22,153	194,223	193,672	551
Home Instruction:					
Salaries of Teachers	10,000	47,350	57,350	57,264	86
Purchased Professional - Educational Services	20,000	(12,490)	7,510	7,137	373
Total Home Instruction	30,000	34,860	64,860	64,401	459

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Total Special Education Instruction	\$ 3,344,089	\$ 203,115	\$ 3,547,204	\$ 3,541,177	\$ 6,027
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	391,268	33,884	425,152	425,152	
General Supplies	2,600	(632)	1,968	1,268	700
Total Basic Skills/Remedial - Instruction	393,868	33,252	427,120	426,420	700
Bilingual Education - Instruction:					
Salaries of Teachers	44,000		44,000	43,566	434
General Supplies	200	(200)			
Total Bilingual Education - Instruction	44,200	(200)	44,000	43,566	434
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	212,596	10,502	223,098	222,945	153
Supplies and Materials	11,965	(5,150)	6,815	5,038	1,777
Other Objects	880	15,668	16,548	16,514	34
Total School-Sponsored Cocurricular Activities - Instruction	225,441	21,020	246,461	244,497	1,964
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	519,776	(58,744)	461,032	460,744	288
Purchased Services (300-500 series)	169,683	(16,666)	153,017	149,949	3,068
Supplies and Materials	115,358	11,285	126,643	88,402	38,241
Other Objects	29,000	(3,610)	25,390	23,389	2,001
Transfer to Cover Deficit (Agency Fund)	24,565	(21,272)	3,293	3,293	
Total School-Sponsored Cocurricular Athletics - Instruction	858,382	(89,007)	769,375	725,777	43,598
Total Instruction	16,544,660	213,807	16,758,467	16,514,377	244,090

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	\$ 419,257	\$ 9,593	\$ 9,593	\$ 9,593	
Tuition to Other LEAs Within the State - Special	169,000	(118,226)	301,031	301,030	\$ 1
Tuition to County Vocational Schools - Regular	49,300	(50,828)	118,172	118,172	
Tuition to County Vocational Schools - Special	1,412,565	(15,265)	34,035	34,035	
Tuition to Private Schools for the Handicapped - Within State		(134,109)	1,278,456	1,257,078	21,378
Total Undistributed Expenditures - Instruction	2,050,122	(308,835)	1,741,287	1,719,908	21,379
Attendance and Social Work Services:					
Salaries	18,185	(1,818)	16,367	16,367	
Total Attendance and Social Work Services	18,185	(1,818)	16,367	16,367	
Health Services:					
Salaries	518,985	(16,507)	502,478	502,475	3
Purchased Professional and Technical Services	23,000	4,635	27,635	27,117	518
Supplies and Materials	10,925	(2,011)	8,914	8,768	146
Total Health Services	552,910	(13,883)	539,027	538,360	667
Other Support Services - Students - Speech OT, PT and Related Services:					
Salaries	506,524	(67,210)	439,314	439,289	25
Purchased Professional - Educational Services	110,135	(35,641)	74,494	65,258	9,236
Supplies and Materials	8,717	1,852	10,569	8,790	1,779
Total Other Support Services - Students - Speech OT, PT and Related Services	625,376	(100,999)	524,377	513,337	11,040
Other Support Services - Students - Extraordinary Services:					
Salaries	689,882	(149,606)	540,276	540,272	4
Purchased Professional - Educational Services	204,565	138,318	342,883	340,201	2,682
Total Other Support Services - Students - Extraordinary Services	894,447	(11,288)	883,159	880,473	2,686

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 859,075	\$ 38,515	\$ 897,590	\$ 897,588	\$ 2
Salaries of Secretarial and Clerical Assistants	112,360	513	112,873	112,873	
Supplies and Materials	38,568	(10,490)	28,078	28,078	
Total Other Support Services - Students - Guidance	1,010,003	28,538	1,038,541	1,038,539	2
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	835,338	57,964	893,302	893,290	12
Salaries of Secretarial and Clerical Assistants	92,343	18,328	110,671	110,669	2
Purchased Professional - Educational Services	44,874	(9,730)	35,144	33,482	1,662
Other Purchased Services	12,526	6,929	19,455	18,751	704
Miscellaneous Purchased Services	5,000	(3,531)	1,469	1,107	362
Supplies and Materials	10,796	6,228	17,024	16,316	708
Other Objects	6,000	(3,782)	2,218	2,158	60
Total Other Support Services - Students - Child Study Teams	1,006,877	72,406	1,079,283	1,075,773	3,510
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	463,103	16,589	479,692	479,691	1
Salaries of Other Professional Staff	43,996	802	44,798	44,797	1
Purchased Professional - Educational Services	68,817	10,999	79,816	60,547	19,269
Other Purchased Services (400-500 series)	2,885	(500)	2,385	1,530	855
Supplies and Materials	27,423	14,235	41,658	20,737	20,921
Other Objects	6,544	(123)	6,421	5,084	1,337
Total Improvement of Instructional Services	612,768	42,002	654,770	612,386	42,384

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 379,673	\$	\$ 379,673	\$ 379,673	
Salaries of Technology Coordinators	182,139	6	182,145	182,142	3
Supplies and Materials	48,802	(52)	48,750	48,354	396
Other Objects	2,900		2,900		2,900
Total Educational Media Services/School Library	613,514	(46)	613,468	610,169	3,299
Instructional Staff Training Services:					
Salaries of Other Professional Staff	20,359	(15,753)	4,606	4,604	2
Purchased Professional - Educational Services	71,789	(14,243)	57,546	54,107	3,439
Other Purchased Services (400-500 series)	13,500	21,118	34,618	3,117	31,501
Supplies and Materials	7,341	1,995	9,336	5,512	3,824
Total Instructional Staff Training Services	112,989	(6,883)	106,106	67,340	38,766
Support Services - General Administration:					
Salaries	260,064	42	260,106	260,106	
Legal Services	70,508	35,228	105,736	103,607	2,129
Audit Fees	42,275	(4,775)	37,500	37,500	
Other Purchased Professional Services	5,200	1,335	6,535	6,535	
Communications/Telephone	95,500	27,913	123,413	120,512	2,901
BOE Other Purchased Services	1,450	5,485	6,935	3,874	3,061
Miscellaneous Purchased Services (400-500 series)	17,449	7,873	25,322	24,984	338
General Supplies	5,850	(3,064)	2,786	2,785	1
Miscellaneous Expenditures	2,000	3,343	5,343	5,343	
BOE Membership Dues and Fees	19,900	(4,037)	15,863	15,862	1
Total Support Services - General Administration	520,196	69,343	589,539	581,108	8,431

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,283,804	\$ (24,646)	\$ 1,259,158	\$ 1,259,157	\$ 1
Salaries of Secretarial and Clerical Assistants	396,740	(9,532)	387,208	387,061	147
Purchased Professional and Technical Services	34,400	(8,071)	26,329	25,553	776
Other Purchased Services (400-500 series)	105,697	(15,868)	89,829	76,667	13,162
Supplies and Materials	24,979	(5,237)	19,742	18,114	1,628
Other Objects	13,201	1,202	14,403	12,754	1,649
Total Support Services - School Administration	1,858,821	(62,152)	1,796,669	1,779,306	17,363
Central Services:					
Salaries	346,940	2,125	349,065	349,064	1
Purchased Professional Services	4,045	1,360	5,405	4,204	1,201
Purchased Technical Services	26,000	2,367	28,367	28,366	1
Miscellaneous Purchased Services (400-500 series)	8,910	565	9,475	9,012	463
Supplies and Materials	8,883	2,155	11,038	9,505	1,533
Other Objects	2,815	(215)	2,600	2,599	1
Total Central Services	397,593	8,357	405,950	402,750	3,200
Administration Information Technology:					
Salaries	88,172	3	88,175	88,174	1
Purchased Technical Services	10,000	(5,364)	4,636	3,980	656
Total Administration Information Technology	98,172	(5,361)	92,811	92,154	657

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 130,289	\$ 24,858	\$ 155,147	\$ 155,146	\$ 1
Cleaning, Repair and Maintenance Services	301,896	12,095	313,991	271,511	42,480
General Supplies	51,146	2,514	53,660	49,768	3,892
Total Required Maintenance of School Facilities	483,331	39,467	522,798	476,425	46,373
Custodial Services:					
Salaries	1,153,334	(38,953)	1,114,381	1,110,240	4,141
Salaries of Non-Instructional Aides	89,035	(4,208)	84,827	83,739	1,088
Purchased Professional and Technical Services	45,110	(5,770)	39,340	30,115	9,225
Cleaning, Repair and Maintenance Services	134,908	6,504	141,412	129,108	12,304
Other Purchased Property Services	111,584	(15,947)	95,637	77,753	17,884
Insurance	231,000	13,285	244,285	244,284	1
General Supplies	129,157	(25,970)	103,187	90,584	12,603
Energy (Natural Gas)	181,000	59,100	240,100	227,128	12,972
Energy (Electricity)	470,000	(61,335)	408,665	405,215	3,450
Other Objects	23,860	29,515	53,375	51,371	2,004
Total Custodial Services	2,568,988	(43,779)	2,525,209	2,449,537	75,672
Care and Upkeep of Grounds:					
Salaries	129,021	(3,915)	125,106	125,096	10
Cleaning, Repair & Maintenance Services	58,000	46,481	104,481	77,229	27,252
General Supplies	109,175	(57,292)	51,883	36,170	15,713
Total Care and Upkeep of Grounds	296,196	(14,726)	281,470	238,495	42,975
Security:					
Purchased Professional and Technical Services	90,000		90,000	90,000	
General Supplies	101,879	6	101,885	92,740	9,145
Total Security	191,879	6	191,885	182,740	9,145

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Non-Instructional Aides	\$ 21,000	\$ 22,543	\$ 43,543	\$ 43,541	\$ 2
Between Home and School - Regular	421,579	1,190	422,769	422,763	6
Cleaning, Repair, & Maintenance Services	64,274	(20,622)	43,652	36,401	7,251
Lease Purchase Payments - School Buses	71,480	42,765	114,245	114,243	2
Contracted Services:					
Between Home and School - Vendors	847,538	66,541	914,079	914,079	
Other than Between Home and School - Vendors	151,950	(72,661)	79,289	38,590	40,699
Special Education - ESC's & CTSA's	657,220	(8,481)	648,739	648,738	1
Aid in Lieu Payments - Nonpublic Students	91,170	(19,989)	71,181	66,826	4,355
Travel	300		300	47	253
Miscellaneous Purchased Services - Transportation	3,865		3,865	2,025	1,840
General Supplies	78,340	(23,467)	54,873	51,269	3,604
Other Objects	1,060		1,060	1,060	
Total Student Transportation Services	2,409,776	(12,181)	2,397,595	2,339,582	58,013
Unallocated Benefits:					
Social Security Contributions	450,630	33,750	484,380	484,380	
Other Retirement Contributions - PERS	475,000	13,289	488,289	488,289	
Other Retirement Contributions - Regular		26,464	26,464	26,464	
Unemployment Compensation	7,000	(7,000)			
Workmen's Compensation	190,000	25,659	215,659	215,659	
Health Benefits	4,467,315	71,699	4,539,014	4,539,014	
Tuition Reimbursement	158,512	(22,361)	136,151	128,490	7,661
Other Employee Benefits	136,150	(133,889)	2,261	2,261	
Unused Sick Payment to Terminated/Retired Staff	42,152	32,933	75,085	75,085	
Total Unallocated Benefits	5,926,759	40,544	5,967,303	5,959,642	7,661

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
On-Behalf TPAF Contributions:					
Pension (Non-Budgeted)			\$	3,189,696	\$ (3,189,696)
Post-Retirement Medical Benefits (Non-Budgeted)				1,477,127	(1,477,127)
Non-Contributory Insurance (Non-Budgeted)				66,769	(66,769)
Long-Term Disability Insurance (Non-Budgeted)				2,078	(2,078)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,296,467	(1,296,467)
Total On-Behalf and Reimbursed TPAF Contributions				6,032,137	(6,032,137)
Total Personal Services - Employee Benefits	\$ 5,926,759	\$ 40,544	\$ 5,967,303	11,991,779	(6,024,476)
Total Undistributed Expenses	22,248,902	(281,288)	21,967,614	27,606,528	(5,638,914)
TOTAL CURRENT EXPENSE	38,793,562	(67,481)	38,726,081	44,120,905	(5,394,824)
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	12,100	(4,729)	7,371	7,343	28
Grades 6-8	1,000		1,000	834	166
Grades 9-12	72,175	(14,281)	57,894	57,894	
Undistributed Expenditures:					
Required Maintenance for School Facilities	108,484	77,773	186,257	186,236	21
Security	180,119	(22,837)	157,282	142,855	14,427
Total Equipment	373,878	35,926	409,804	395,162	14,642

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 2,625	\$ 3,050	\$ 5,675	\$ 5,675	
Infrastructure	386,308		386,308	270,441	\$ 115,867
Other Objects - Debt Service Assessment	58,083		58,083	58,083	
Total Facilities Acquisition and Construction Services	447,016	3,050	450,066	334,199	115,867
TOTAL CAPITAL OUTLAY	820,894	38,976	859,870	729,361	130,509
Transfer of Funds to Charter Schools		28,505	28,505	28,505	
TOTAL EXPENDITURES	39,614,456		39,614,456	44,878,771	(5,264,315)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,165,275)		(1,165,275)	266,454	1,431,729
Fund Balance, July 1	3,958,279		3,958,279	3,958,279	
Fund Balance, June 30	\$ 2,793,004	\$ -0-	\$ 2,793,004	\$ 4,224,733	\$ 1,431,729
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 2,085,504	
Excess Surplus - Prior Year - For Subsequent Year's Expenditures				178,367	
Assigned:					
Year-end Encumbrances				546,989	
Unassigned				1,413,873	
Reconciliation to Governmental Funds Statements (GAAP):				4,224,733	
June State Aid Payments not recognized on GAAP Basis				(166,433)	
Fund Balance per Governmental Fund on (Exhibit B-2)				\$ 4,058,300	

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 975	\$ 3,398	\$ 4,373	\$ 4,314	\$ (59)
Federal Sources	487,015		487,015	460,336	(26,679)
Local Sources	116,580		116,580	115,880	(700)
Total Revenues	604,570	3,398	607,968	580,530	(27,438)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	48,633	(13,877)	34,756	30,062	4,694
Tuition	375,542		375,542	375,542	
General Supplies	7,625	6,556	14,181	14,106	75
Textbooks		694	694	694	
Other Objects	116,580		116,580	115,880	700
Total Instruction	548,380	(6,627)	541,753	536,284	5,469
Support Services:					
Salaries of Other Professional Staff					
Personal Services - Employee Benefits	2,448	(153)	2,295		2,295
Purchased Professional and Technical Services	2,350	2,454	4,804	3,073	1,731
Other Purchased Services	48,544	4,724	53,268	36,777	16,491
Supplies and Materials	2,848	3,000	5,848	4,396	1,452
Total Support Services	56,190	10,025	66,215	44,246	21,969
Total Expenditures	604,570	3,398	607,968	580,530	27,438
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 45,145,225	\$ 580,530
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, Whereas the GAAP Basis does not		(11,433)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	149,723	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(166,433)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 45,128,515</u>	<u>\$ 569,097</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 44,878,771	\$ 580,530
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		<u>(11,433)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 44,878,771</u>	<u>\$ 569,097</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets for the fiscal year ended June 30, 2019, were submitted to the County office and were approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

KINNELON BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Elementary and Secondary Education Act		IDEA Part B Basic	IDEA Part B Preschool	Non-Public Textbook
	Title I	Title IIA			
REVENUE:					
State Sources					\$ 694
Federal Sources	\$ 32,052	\$ 33,109	\$ 378,542	\$ 16,633	
Local Sources					
Total Revenue	\$ 32,052	\$ 33,109	\$ 378,542	\$ 16,633	\$ 694
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 13,274	\$ 155		\$ 16,633	
Tuition			\$ 375,542		
General Supplies	8,747		3,000		\$ 694
Textbooks					
Other Objects					
Total Instruction	22,021	155	378,542	16,633	694
Support Services:					
Purchased Professional and Technical Services	1,723	89			
Other Purchased Services	8,308	28,469			
Supplies and Materials		4,396			
Total Support Services	10,031	32,954			
Total Expenditures	\$ 32,052	\$ 33,109	\$ 378,542	\$ 16,633	\$ 694

KINNELON BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Non-Public Nursing	Non-Public Security	Non-Public Technology	Local Grants	Totals June 30, 2019
REVENUE:					
State Sources	\$ 1,261	\$ 1,891	\$ 468		\$ 4,314
Federal Sources					460,336
Local Sources				\$ 115,880	115,880
Total Revenue	<u>\$ 1,261</u>	<u>\$ 1,891</u>	<u>\$ 468</u>	<u>\$ 115,880</u>	<u>\$ 580,530</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					\$ 30,062
Tuition					375,542
General Supplies	\$ 1,891	\$ 468			14,106
Textbooks					694
Other Objects				\$ 115,880	115,880
Total Instruction	<u>1,891</u>	<u>468</u>		<u>115,880</u>	<u>536,284</u>
Support Services:					
Purchased Professional and Technical Services	\$ 1,261				3,073
Other Purchased Services					36,777
Supplies and Materials					4,396
Total Support Services	<u>1,261</u>				<u>44,246</u>
Total Expenditures	<u>\$ 1,261</u>	<u>\$ 1,891</u>	<u>\$ 468</u>	<u>\$ 115,880</u>	<u>\$ 580,530</u>

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

<u>ASSETS:</u>	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Current Assets:			
Cash and Cash Equivalents	\$ 12,870	\$ 322,608	\$ 335,478
Accounts Receivable:			
Federal	3,147		3,147
State	266		266
Interfund Receivable	10,607		10,607
Inventories	10,689		10,689
	37,579	322,608	360,187
Total Current Assets			
Non-Current Assets:			
Capital Assets	412,657		412,657
Less: Accumulated Depreciation	(362,396)		(362,396)
	50,261		50,261
Total Non-Current Assets			
	87,840	322,608	410,448
Total Assets			
	87,840	322,608	410,448
<u>LIABILITIES:</u>			
Current Liabilities:			
Unearned Revenue - Prepaid Sales	18,808		18,808
Unearned Revenue - Donated Commodities	1,658		1,658
	20,466		20,466
Total Current Liabilities			
	20,466		20,466
<u>NET POSITION:</u>			
Net Investment in Capital Assets	50,261		50,261
Unrestricted	17,113	322,608	339,721
	67,374	322,608	389,982
Total Net Position	\$ 67,374	\$ 322,608	\$ 389,982

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 209,048		\$ 209,048
Daily Sales - Non-Reimbursable Programs	292,646		292,646
Program Fees		\$ 259,342	259,342
Total Operating Revenue	501,694	259,342	761,036
Operating Expenses:			
Reimbursable Programs Cost of Sales	136,823		136,823
Non-Reimbursable Programs Cost of Sales	153,659		153,659
Salaries, Benefits & Payroll Taxes	257,420	211,239	468,659
Employee Benefits		10,902	10,902
Management Fee	16,748		16,748
Professional and Technical Services	175		175
Depreciation Expense	9,338		9,338
Supplies and Materials	1,738	5,592	7,330
Administrative Expenses	24,630	27,196	51,826
Total Operating Expenses	600,531	254,929	855,460
Operating Income/(Loss)	(98,837)	4,413	(94,424)
Non-Operating Income:			
Local Sources:			
Interest Income		677	677
State Sources:			
State School Lunch Program	3,945		3,945
Federal Sources:			
National School Lunch Program	47,588		47,588
Food Distribution Program	32,816		32,816
Total Non-Operating Income	84,349	677	85,026
Change in Net Position	(14,488)	5,090	(9,398)
Net Position - Beginning of Year	81,862	317,518	399,380
Net Position - End of Year	\$ 67,374	\$ 322,608	\$ 389,982

KINNELON BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds		
	Major Funds		Total
	Food Service	Enrichment Program	Enterprise Funds
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 506,794	\$ 259,342	\$ 766,136
Payments to Employees	(257,420)	(211,239)	(468,659)
Payments for Benefits		(10,902)	(10,902)
Payments to Suppliers	(306,631)	(5,592)	(312,223)
Payments for Administrative Expenses		(27,196)	(27,196)
Net Cash Provided by/(Used for) Operating Activities	<u>(57,257)</u>	<u>4,413</u>	<u>(52,844)</u>
Cash Flows from Capital Financing Activities:			
Acquisition of Equipment	<u>(15,776)</u>		<u>(15,776)</u>
Net Cash Used for Capital Financing Activities	<u>(15,776)</u>		<u>(15,776)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal and State Sources	<u>52,197</u>		<u>52,197</u>
Net Cash Provided by Noncapital Financing Activities	<u>52,197</u>		<u>52,197</u>
Cash Flows from Investing Activities:			
Interest Earned		<u>677</u>	<u>677</u>
Net Cash Flows Provided by Investing Activities		<u>677</u>	<u>677</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(20,836)	5,090	(15,746)
Cash and Cash Equivalents, July 1	<u>33,706</u>	<u>317,518</u>	<u>351,224</u>
Cash and Cash Equivalents, June 30	<u>\$ 12,870</u>	<u>\$ 322,608</u>	<u>\$ 335,478</u>
Reconciliation of Operating Income/(Loss) to Net			
Cash Provided by/(Used for) Operating Activities:			
Operating Income/(Loss)	\$ (98,837)	\$ 4,413	\$ (94,424)
Adjustment to Reconcile Operating Income/(Loss) to Net			
Cash Provided by/(Used for) Operating Activities:			
Federal Food Distribution Program	32,816		32,816
Depreciation Expense	9,338		9,338
Changes in Assets and Liabilities:			
(Increase) in Inventory	(5,702)		(5,702)
Increase in Prepaid Sales	5,100		5,100
Increase in Unearned Revenue	28		28
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (57,257)</u>	<u>\$ 4,413</u>	<u>\$ (52,844)</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received commodities from the Federal Food Distribution Program valued at \$32,844 and utilized \$32,816 for the fiscal year ended June 30, 2019.

FIDUCIARY FUNDS

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Agency Student Activity	Payroll	Totals
ASSETS:						
Cash and Cash Equivalents	\$ 145,619	\$ 20,255	\$ 243,227	\$ 261,518	\$ 3,892	\$ 674,511
Total Assets	145,619	20,255	243,227	261,518	3,892	674,511
LIABILITIES:						
Payroll Deductions and Withholdings					70	70
Interfund Payable General Fund					3,822	3,822
Due to Student Groups				261,518		261,518
Total Liabilities				261,518	3,892	265,410
NET POSITION:						
Held in Trust for:						
Flexible Spending Claims		20,255				20,255
Unemployment Claims	145,619					145,619
Restricted for Scholarships			243,227			243,227
Total Net Position	\$ 145,619	\$ 20,255	\$ 243,227	\$ -0-	\$ -0-	\$ 409,101

KINNELON BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Fund	Totals
ADDITIONS:				
Contributions:				
Plan Members	\$ 59,154	\$ 43,321		\$ 102,475
Donations			\$ 60,000	60,000
Total Contributions	59,154	43,321	60,000	162,475
Investment Earnings:				
Interest		2	395	397
Total Investment Earnings		2	395	397
Total Additions	59,154	43,323	60,395	162,872
DEDUCTIONS:				
Flexible Spending Claims		39,255		39,255
Unemployment Compensation Claims	67,338			67,338
Scholarships Awarded			66,250	66,250
Total Deductions	67,338	39,255	66,250	172,843
Change in Net Position	(8,184)	4,068	(5,855)	(9,971)
Net Position - Beginning of the Year	153,803	16,187	249,082	419,072
Net Position - End of the Year	\$ 145,619	\$ 20,255	\$ 243,227	\$ 409,101

KINNELON BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 282,995	\$ 555,967	\$ 577,444	\$ 261,518
Total Assets	<u>\$ 282,995</u>	<u>\$ 555,967</u>	<u>\$ 577,444</u>	<u>\$ 261,518</u>
<u>LIABILITIES:</u>				
Due to Student Groups	\$ 282,995	\$ 555,967	\$ 577,444	\$ 261,518
Total Liabilities	<u>\$ 282,995</u>	<u>\$ 555,967</u>	<u>\$ 577,444</u>	<u>\$ 261,518</u>

KINNELON BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY BY SCHOOL

	<u>Balance</u> <u>June 30, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
SCHOOLS:				
Kiel Elementary School Activity Account	\$ 18,488	\$ 22,261	\$ 19,361	\$ 21,388
Stony Brook School Activity Account	27,502	74,287	67,592	34,197
Pearl R. Miller Middle School Activity Account	52,940	132,159	125,467	59,632
Kinnelon High School:				
School Activity Account	129,385	248,432	278,422	99,395
Athletic Account	1,105	30,544	29,477	2,172
Sport Academy Camp Account	53,575	48,284	57,125	44,734
	<u>\$ 282,995</u>	<u>\$ 555,967</u>	<u>\$ 577,444</u>	<u>\$ 261,518</u>

KINNELON BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 5,090	\$ 26,545,549	\$ 26,546,747	\$ 3,892
Total Assets	<u>\$ 5,090</u>	<u>\$ 26,545,549</u>	<u>\$ 26,546,747</u>	<u>\$ 3,892</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 1,080	\$ 26,545,549	\$ 26,546,559	\$ 70
Interfund Payable General Fund	<u>4,010</u>		<u>188</u>	<u>3,822</u>
Total Liabilities	<u>\$ 5,090</u>	<u>\$ 26,545,549</u>	<u>\$ 26,546,747</u>	<u>\$ 3,892</u>

LONG-TERM DEBT

KINNELON BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance June 30, 2018	Matured	Balance June 30, 2019
			Date	June 30, 2019 Amount	Outstanding				
Refunding Bond of 2002 Issue	9/14/10	\$ 9,980,000	10/1/19	\$ 975,000		4.00%			
			10/1/20	970,000		4.00%			
			10/1/21	960,000		3.00%			
			10/1/22	945,000		3.125%			
			10/1/23	930,000		3.25%	\$ 5,720,000	\$ 940,000	\$ 4,780,000
Refunding Bond of 2006/2007 Issues	2/10/15	11,230,000	2/1/20	10,000		2.00%			
			2/1/21	25,000		2.00%			
			2/1/22	25,000		2.00%			
			2/1/23	60,000		3.00%			
			2/1/24	115,000		3.00%			
			2/1/25	910,000		5.00%			
			2/1/26	1,015,000		5.00%			
			2/1/27	1,120,000		4.25%			
			2/1/28	1,215,000		5.00%			
			2/1/29	1,285,000		4.50%			
			2/1/30	1,325,000		4.50%			
			2/1/31	1,345,000		4.75%			
			2/1/32	1,370,000		4.75%			
		2/1/33	1,395,000		4.75%				
							11,230,000	15,000	11,215,000
							\$ 16,950,000	\$ 955,000	\$ 15,995,000

KINNELON BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2018</u>	<u>Matured</u>	<u>Balance June 30, 2019</u>
2016 Bus Lease	1.98%	\$ 273,737	\$ 164,796	\$ 108,784	\$ 56,012
			<u>\$ 164,796</u>	<u>\$ 108,784</u>	<u>\$ 56,012</u>

KINNELON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,596,669		\$ 1,596,669	\$ 1,596,669	
State Sources:					
Debt Service Type II Aid	67,512		67,512	67,512	
Total Revenue	<u>1,664,181</u>		<u>1,664,181</u>	<u>1,664,181</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	709,181		709,181	709,181	
Redemption of Principal	955,000		955,000	955,000	
Total Regular Debt Service	<u>1,664,181</u>		<u>1,664,181</u>	<u>1,664,181</u>	
Total Expenditures	<u>1,664,181</u>		<u>1,664,181</u>	<u>1,664,181</u>	
Fund Balance, July 1	-0-	\$ -0-	-0-	-0-	
Fund Balance, June 30	-0-	\$ -0-	-0-	-0-	\$ -0-

STATISTICAL SECTION
(UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

KINNELON BOROUGH SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	June 30,				
	2010	2011	2012	2013	2014
Governmental activities					
Net Investment in capital assets	\$ 18,555,613	\$ 18,157,140	\$ 18,680,587	\$ 19,148,508	\$ 19,254,575
Restricted	520,683	470,825	30,223	30,223	861,139
Unrestricted/(Deficit)	(846,449)	470,673	1,888,392	1,738,222	(6,363,054)
Total governmental activities net position	<u>\$ 18,229,847</u>	<u>\$ 19,098,638</u>	<u>\$ 20,599,202</u>	<u>\$ 20,916,953</u>	<u>\$ 13,752,660</u>
Business-type activities					
Investment in capital assets	\$ 119,332	\$ 108,116	\$ 107,321	\$ 93,777	\$ 79,782
Unrestricted	104,987	106,940	138,959	164,164	207,535
Total business-type activities net position	<u>\$ 224,319</u>	<u>\$ 215,056</u>	<u>\$ 246,280</u>	<u>\$ 257,941</u>	<u>\$ 287,317</u>
District-wide					
Net Investment in capital assets	\$ 18,674,945	\$ 18,265,256	\$ 18,787,908	\$ 19,242,285	\$ 19,334,357
Restricted	520,683	470,825	30,223	30,223	861,139
Unrestricted/(Deficit)	(741,462)	577,613	2,027,351	1,902,386	(6,155,519)
Total district net position	<u>\$ 18,454,166</u>	<u>\$ 19,313,694</u>	<u>\$ 20,845,482</u>	<u>\$ 21,174,894</u>	<u>\$ 14,039,977</u>

	June 30,				
	2015	2016	2017	2018	2019
Governmental activities					
Net Investment in capital assets	\$ 21,151,918	\$ 19,322,431	\$ 19,646,697	\$ 22,277,585	\$ 22,001,528
Restricted	677,206	1,119,539	1,295,938	2,153,249	2,263,871
Unrestricted/(Deficit)	(8,118,400)	(6,829,262)	(7,736,429)	(11,530,632)	(10,975,011)
Total governmental activities net position	<u>\$ 13,710,724</u>	<u>\$ 13,612,708</u>	<u>\$ 13,206,206</u>	<u>\$ 12,900,202</u>	<u>\$ 13,290,388</u>
Business-type activities					
Investment in capital assets	\$ 65,787	\$ 70,392	\$ 56,397	\$ 43,823	\$ 50,261
Unrestricted	244,914	274,845	312,481	355,557	339,721
Total business-type activities net position	<u>\$ 310,701</u>	<u>\$ 345,237</u>	<u>\$ 368,878</u>	<u>\$ 399,380</u>	<u>\$ 389,982</u>
District-wide					
Net Investment in capital assets	\$ 21,217,705	\$ 19,392,823	\$ 19,703,094	\$ 22,321,408	\$ 22,051,789
Restricted	677,206	1,119,539	1,295,938	2,153,249	2,263,871
Unrestricted/(Deficit)	(7,873,486)	(6,554,417)	(7,423,948)	(11,175,075)	(10,635,290)
Total district net position	<u>\$ 14,021,425</u>	<u>\$ 13,957,945</u>	<u>\$ 13,575,084</u>	<u>\$ 13,299,582</u>	<u>\$ 13,680,370</u>

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013	2014
Expenses					
Governmental activities					
Instruction					
Regular	\$ 16,655,387	\$ 15,120,077	\$ 15,713,492	\$ 16,931,637	\$ 16,435,098
Special education	3,276,930	3,520,191	3,720,193	3,911,881	3,852,677
Other special education	361,522	286,979	283,982	395,358	488,137
Other instruction	1,355,196	1,129,720	1,170,137	1,246,967	1,096,947
Support Services:					
Tuition	1,016,753	1,316,906	1,355,161	1,395,101	1,608,863
Student & instruction related services	5,219,338	4,496,137	4,888,666	5,244,472	5,511,218
General and business administrative services	97,604	676,984	102,026	603,063	559,512
School Administrative Services	2,134,377	2,126,715	581,074	2,295,163	2,263,211
Central Services	565,133	566,110	2,124,580	571,202	550,833
Administrative Technology Information	219,361	122,051	591,272	109,973	107,629
Plant operations and maintenance	3,519,895	3,356,498	3,298,665	3,803,463	3,766,137
Pupil transportation	1,711,237	2,031,790	1,918,266	1,922,290	1,954,847
Interest on long-term debt	1,278,267	973,545	1,121,860	1,055,853	979,029
Unallocated depreciation					
Capital Outlay	65,151	72,775	42,322	58,083	60,439
Total governmental activities expenses	<u>37,476,151</u>	<u>35,796,478</u>	<u>36,911,696</u>	<u>39,544,506</u>	<u>39,234,577</u>
Business-type activities:					
Food service	647,943	617,556	592,740	578,749	528,907
Enrichment Program	146,620	145,497	127,288	146,572	234,677
Total business-type activities expense	<u>794,563</u>	<u>763,053</u>	<u>720,028</u>	<u>725,321</u>	<u>763,584</u>
Total district expenses	<u>\$ 38,270,714</u>	<u>\$ 36,559,531</u>	<u>\$ 37,631,724</u>	<u>\$ 40,269,827</u>	<u>\$ 39,998,161</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)					
Operating grants and contributions	\$ 5,729,384	\$ 3,745,734	\$ 4,804,944	\$ 5,672,053	\$ 5,208,200
Total governmental activities program revenues	<u>5,729,384</u>	<u>3,745,734</u>	<u>4,804,944</u>	<u>5,672,053</u>	<u>5,208,200</u>
Business-type activities:					
Charges for services					
Food service	558,484	537,947	531,592	458,163	446,576
Enrichment Program	118,514	159,806	136,362	194,639	274,399
Operating grants and contributions	62,010	58,399	83,173	84,037	71,737
Total business type activities program revenues	<u>739,008</u>	<u>756,152</u>	<u>751,127</u>	<u>736,839</u>	<u>792,712</u>
Total district program revenues	<u>\$ 6,468,392</u>	<u>\$ 4,501,886</u>	<u>\$ 5,556,071</u>	<u>\$ 6,408,892</u>	<u>\$ 6,000,912</u>
Net (Expense)/Revenue					
Governmental activities	\$ (31,746,767)	\$ (32,050,744)	\$ (32,106,752)	\$ (33,872,453)	\$ (34,026,377)
Business-type activities	(55,555)	(6,901)	31,099	11,518	29,128
Total district-wide net expense	<u>\$ (31,802,322)</u>	<u>\$ (32,057,645)</u>	<u>\$ (32,075,653)</u>	<u>\$ (33,860,935)</u>	<u>\$ (33,997,249)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 29,599,802	\$ 30,099,983	\$ 30,701,983	\$ 31,316,023	\$ 32,102,343
Taxes levied for debt service	2,732,132	2,469,272	2,434,758	2,662,364	2,162,403
Federal and State Aid Not Restricted	81,135	68,862	68,759	68,656	68,553
Miscellaneous income	151,174	281,312	401,588	262,855	302,636
Transfers	748	106	228	134	183
Total governmental activities	<u>32,564,991</u>	<u>32,919,535</u>	<u>33,607,316</u>	<u>34,310,032</u>	<u>34,636,118</u>
Business-type activities:					
Miscellaneous income	1,019	144	353	277	431
Transfers	(748)	(106)	(228)	(134)	(183)
Other Item - Disposal of Capital Assets		(2,400)			
Total business-type activities	<u>271</u>	<u>(2,362)</u>	<u>125</u>	<u>143</u>	<u>248</u>
Total district-wide	<u>\$ 32,565,262</u>	<u>\$ 32,917,173</u>	<u>\$ 33,607,441</u>	<u>\$ 34,310,175</u>	<u>\$ 34,636,366</u>
Change in Net Position					
Governmental activities	\$ 818,224	\$ 868,791	\$ 1,500,564	\$ 437,579	\$ 609,741
Business-type activities	(55,284)	(9,263)	31,224	11,661	29,376
Total district	<u>\$ 762,940</u>	<u>\$ 859,528</u>	<u>\$ 1,531,788</u>	<u>\$ 449,240</u>	<u>\$ 639,117</u>

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Expenses					
Governmental activities					
Instruction					
Regular	\$ 18,590,309	\$ 19,783,406	\$ 21,089,444	\$ 21,601,378	\$ 19,088,105
Special education	4,863,506	5,415,147	6,247,293	6,282,372	6,155,701
Other special education	712,248	659,958	818,422	910,277	809,382
Other instruction	1,461,012	1,672,943	1,688,933	1,286,333	1,225,122
Support Services:					
Tuition	1,623,287	1,607,359	1,700,591	1,653,250	2,096,440
Student & instruction related services	6,644,710	7,058,106	8,307,308	9,192,350	8,666,561
General and business administrative services	610,548	676,806	785,407	807,556	774,726
School Administrative Services	2,418,495	2,783,629	3,213,866	3,180,534	2,987,848
Central Services	569,105	571,136	673,781	561,776	532,865
Administrative Technology Information	162,512	134,457	81,520	141,260	90,590
Plant operations and maintenance	3,997,483	3,744,103	4,078,236	4,554,839	4,554,978
Pupil transportation	2,113,636	2,002,699	2,195,396	2,220,667	2,413,206
Transfer of Funds to Charter Schools					28,505
Interest on long-term debt	864,449	769,935	883,193	701,028	656,078
Unallocated depreciation				1,157,907	1,125,868
Capital Outlay	58,083	527,518	331,894		
Total governmental activities expenses	<u>44,689,383</u>	<u>47,407,202</u>	<u>52,095,284</u>	<u>54,251,527</u>	<u>51,205,975</u>
Business-type activities:					
Food service	549,686	576,502	604,748	615,889	600,531
Enrichment Program	227,538	269,553	258,769	243,759	254,929
Total business-type activities expense	<u>777,224</u>	<u>846,055</u>	<u>863,517</u>	<u>859,648</u>	<u>855,460</u>
Total district expenses	<u>\$ 45,466,607</u>	<u>\$ 48,253,257</u>	<u>\$ 52,958,801</u>	<u>\$ 55,111,175</u>	<u>\$ 52,061,435</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Instruction (tuition)		\$ 95,199	\$ 92,001	\$ 65,469	\$ 114,297
Operating grants and contributions	\$ 9,539,898	11,336,746	14,824,450	16,195,716	13,597,932
Total governmental activities program revenues	<u>9,539,898</u>	<u>11,431,945</u>	<u>14,916,451</u>	<u>16,261,185</u>	<u>13,712,229</u>
Business-type activities:					
Charges for services:					
Food service	439,512	502,430	504,814	504,441	501,694
Enrichment Program	288,389	300,105	302,300	301,111	259,342
Operating grants and contributions	72,344	77,617	79,498	90,196	84,349
Total business type activities program revenues	<u>800,245</u>	<u>880,152</u>	<u>886,612</u>	<u>895,748</u>	<u>845,385</u>
Total district program revenues	<u>\$ 10,340,143</u>	<u>\$ 12,312,097</u>	<u>\$ 15,803,063</u>	<u>\$ 17,156,933</u>	<u>\$ 14,557,614</u>
Net (Expense)/Revenue					
Governmental activities	\$ (35,149,485)	\$ (35,975,257)	\$ (37,178,833)	\$ (37,990,342)	\$ (37,493,746)
Business-type activities	23,021	34,097	23,095	36,100	(10,075)
Total district-wide net expense	<u>\$ (35,126,464)</u>	<u>\$ (35,941,160)</u>	<u>\$ (37,155,738)</u>	<u>\$ (37,954,242)</u>	<u>\$ (37,503,821)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 32,480,021	\$ 33,389,621	\$ 34,386,899	\$ 35,415,067	\$ 36,123,368
Taxes levied for debt service	2,193,150	2,123,789	2,127,453	2,100,548	1,596,669
Federal and State Aid Not Restricted	193,264	69,550	59,428		2,854
Miscellaneous income	240,951	294,281	198,550	168,724	161,041
Transfers	163				
Total governmental activities	<u>35,107,549</u>	<u>35,877,241</u>	<u>36,772,330</u>	<u>37,684,339</u>	<u>37,883,932</u>
Business-type activities:					
Miscellaneous income	526	439	546	666	677
Transfers	(163)				
Other Item - Disposal of Capital Assets				(6,264)	
Total business-type activities	<u>363</u>	<u>439</u>	<u>546</u>	<u>(5,598)</u>	<u>677</u>
Total district-wide	<u>\$ 35,107,912</u>	<u>\$ 35,877,680</u>	<u>\$ 36,772,876</u>	<u>\$ 37,678,741</u>	<u>\$ 37,884,609</u>
Change in Net Position					
Governmental activities	\$ (41,936)	\$ (98,016)	\$ (406,503)	\$ (306,003)	\$ 390,186
Business-type activities	23,384	34,536	23,641	30,502	(9,398)
Total district	<u>\$ (18,552)</u>	<u>\$ (63,480)</u>	<u>\$ (382,862)</u>	<u>\$ (275,501)</u>	<u>\$ 380,788</u>

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	June 30,				
	2010	2011	2012	2013	2014
General Fund					
Reserved	\$ 165,652				
Unreserved	222,562				
Restricted		\$ 100	\$ 100	\$ 699,574	\$ 861,139
Assigned		187,417	1,195,155	559,278	1,015,955
Unassigned		684,073	818,010	787,974	729,668
Total general fund	<u>\$ 388,214</u>	<u>\$ 871,590</u>	<u>\$ 2,013,265</u>	<u>\$ 2,046,826</u>	<u>\$ 2,606,762</u>

All Other Governmental Funds					
Reserved	\$ 47,153				
Unreserved, reported in:					
Capital projects fund	307,878				
Restricted:					
Capital projects fund		\$ 30,220	\$ 30,220		
Debt service fund		248,513	3	\$ 30,223	
Assigned		4,575			
Total all other governmental funds	<u>\$ 355,031</u>	<u>\$ 283,308</u>	<u>\$ 30,223</u>	<u>\$ 30,223</u>	<u>\$ -0-</u>

	June 30,				
	2015	2016	2017	2018	2019
General Fund					
Restricted	\$ 838,771	\$ 1,119,539	\$ 1,295,938	\$ 2,153,249	\$ 2,263,871
Assigned	381,921	345,991	1,274,345	825,275	546,989
Unassigned	874,892	1,063,156	874,693	830,032	1,247,440
Total general fund	<u>\$ 2,095,584</u>	<u>\$ 2,528,686</u>	<u>\$ 3,444,976</u>	<u>\$ 3,808,556</u>	<u>\$ 4,058,300</u>

All Other Governmental Funds					
Total all other governmental funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,				
	2010	2011	2012	2013	2014
Revenues					
Tax levy	\$ 32,331,934	\$ 32,569,255	\$ 33,136,741	\$ 33,978,387	\$ 34,264,746
Tuition charges	64,752	47,928	156,675	84,297	155,734
Interest earnings	11,546	1,685	4,653	5,406	6,464
Miscellaneous	74,876	231,699	240,260	173,786	152,904
State sources	4,822,198	3,335,157	4,325,529	5,245,522	4,820,383
Federal sources	988,321	479,439	548,174	494,553	443,904
Total revenue	<u>38,293,627</u>	<u>36,665,163</u>	<u>38,412,032</u>	<u>39,981,951</u>	<u>39,844,135</u>
Expenditures					
Instruction					
Regular Instruction	12,232,020	10,869,832	11,042,708	11,720,334	11,497,005
Special education instruction	2,470,204	2,628,229	2,733,414	2,819,184	2,809,534
Other special instruction	272,341	212,823	207,422	282,917	353,665
Other instruction	937,129	751,417	782,038	826,625	734,929
Support Services:					
Tuition	1,016,753	1,316,906	1,355,161	1,395,101	1,608,863
Student & instruction related services	4,031,472	3,425,483	3,687,609	4,014,250	4,072,920
General administrative services	487,160	535,278	565,516	467,569	433,503
School Administrative services	1,525,664	1,502,618	1,543,675	1,578,497	1,569,588
Central Services	436,387	431,026	443,326	434,140	430,680
Administrative Information Technology	73,340	95,981	74,440	78,594	77,780
Plant operations and maintenance	2,927,873	2,783,023	2,744,340	3,167,677	3,140,976
Pupil transportation	1,869,729	1,870,801	1,838,348	1,831,095	1,870,391
Unallocated Benefits	7,104,604	7,143,643	7,681,270	8,494,168	8,294,708
Capital outlay	277,849	143,011	72,376	107,353	158,884
Debt service:					
Principal	1,535,000	1,570,000	1,670,000	1,715,000	1,310,000
Interest and other charges	1,278,267	973,545	1,082,027	1,016,020	951,179
Total expenditures	<u>38,475,792</u>	<u>36,253,616</u>	<u>37,523,670</u>	<u>39,948,524</u>	<u>39,314,605</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(182,165)</u>	<u>411,547</u>	<u>888,362</u>	<u>33,427</u>	<u>529,530</u>
Other Financing sources (uses)					
Capital Leases (Non-budgeted)					
Serial Bonds Defeased					
Serial Bonds Issued					
Bond Issuance Costs					
Deferred Amount on Refunding					
Bond Premium					
Transfers in	748	106	228	134	183
Transfers out					
Total other financing sources (uses)	<u>748</u>	<u>106</u>	<u>228</u>	<u>134</u>	<u>183</u>
Net change in fund balances	<u>\$ (181,417)</u>	<u>\$ 411,653</u>	<u>\$ 888,590</u>	<u>\$ 33,561</u>	<u>\$ 529,713</u>
Debt service as a percentage of noncapital expenditures	7.951%	7.578%	7.931%	7.359%	6.129%

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Revenues					
Tax levy	\$ 34,673,171	\$ 35,513,410	\$ 36,514,352	\$ 37,515,615	\$ 37,720,037
Tuition charges	111,993	95,199	101,563	65,469	114,297
Interest earnings	6,236	6,018	6,736	7,904	7,665
Miscellaneous	207,760	288,263	197,387	204,229	253,242
State sources	5,507,282	6,140,022	6,705,409	7,659,241	8,798,781
Federal sources	454,861	475,304	470,153	465,236	467,771
Total revenue	<u>40,961,303</u>	<u>42,518,216</u>	<u>43,995,600</u>	<u>45,917,694</u>	<u>47,361,793</u>
Expenditures					
Instruction					
Regular Instruction	11,754,488	11,781,223	11,008,684	11,829,750	11,635,859
Special education instruction	3,190,740	3,257,194	3,386,697	3,445,237	3,588,687
Other special instruction	459,367	389,775	433,162	489,767	469,986
Vocational education					
Other instruction	961,881	952,371	997,571	953,095	970,274
Support Services:					
Tuition	1,623,288	1,607,359	1,700,591	1,653,250	2,096,440
Student & instruction related services	4,428,572	4,510,091	4,610,211	5,243,466	5,394,880
General administrative services	448,983	497,199	538,561	573,271	581,108
School Administrative services	1,517,683	1,645,247	1,670,744	1,757,041	1,779,306
Central Services	410,985	390,213	394,107	397,151	402,750
Administrative Information Technology	118,359	81,520	81,520	97,240	92,154
Plant operations and maintenance	3,003,338	2,759,399	2,885,178	3,013,419	3,347,197
Pupil transportation	1,870,297	1,988,640	2,071,907	2,167,212	2,339,582
Unallocated Benefits	8,689,244	9,611,081	10,674,285	11,044,224	11,991,779
Charter Schools					28,505
Capital outlay	732,566	694,200	439,211	723,810	729,361
Debt service:					
Principal	1,355,000	1,380,000	1,375,000	1,410,000	955,000
Interest and other charges	907,853	813,339	811,881	756,181	709,181
Total expenditures	<u>41,472,644</u>	<u>42,358,851</u>	<u>43,079,310</u>	<u>45,554,114</u>	<u>47,112,049</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(511,341)</u>	<u>159,365</u>	<u>916,290</u>	<u>363,580</u>	<u>249,744</u>
Other Financing sources (uses)					
Capital Leases (Non-budgeted)		273,737			
Serial Bonds Defeased	(12,454,000)				
Serial Bonds Issued	11,230,000				
Bond Issuance Costs	(129,833)				
Deferred Amount on Refunding	(503,256)				
Bond Premium	1,857,089				
Transfers in	300,263				
Transfers out	(300,100)				
Total other financing sources (uses)	<u>163</u>	<u>273,737</u>			
Net change in fund balances	<u>\$ (511,178)</u>	<u>\$ 433,102</u>	<u>\$ 916,290</u>	<u>\$ 363,580</u>	<u>\$ 249,744</u>
Debt service as a percentage of noncapital expenditures	5.881%	5.557%	5.406%	4.783%	3.534%

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2010	\$ 11,546	\$ 64,752	\$ 39,157	\$ 35,719	\$ 151,174
2011	1,685	47,928	17,237	210,538	277,388
2012	4,653	156,675	34,918	205,342	401,588
2013	5,406	84,297		173,152	262,855
2014	6,464	155,734		140,438	302,636
2015	6,236	111,993		122,722	240,951
2016	6,018	95,199		202,829	304,046
2017	6,736	101,563		164,574	272,873
2018	7,904	65,469	20,769	140,051	234,193
2019	7,665	114,297	24,013	129,363	275,338

Source: Borough of Kinnelon School District records

KINNELON BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2009	\$ 37,640,800	\$ 1,545,303,500	\$ 4,018,300	\$ 22,800	\$ 59,597,300	\$ 18,360,100	\$ 1,664,942,800	\$ 1,793,165	\$ 1,666,735,965	\$ 1.907	\$ 2,464,348,279
2010	32,726,300	1,533,542,400	4,018,300	18,900	59,597,300	18,360,100	1,648,263,300	1,806,607	1,650,069,907	1.967	2,385,457,970
2011	31,791,300	1,519,062,800	5,575,400	26,700	56,828,300	18,360,100	1,631,644,600		1,631,644,600	2.014	2,291,060,886
2012	28,269,200	1,503,416,800	5,575,400	26,700	55,922,200	18,360,100	1,611,570,400		1,611,570,400	2.082	2,187,065,383
2013	27,013,400	1,496,858,300	5,575,400	28,000	55,352,400	18,360,100	1,603,187,600		1,603,187,600	2.129	2,039,419,412
2014	24,433,700	1,498,703,100	3,907,700	38,500	54,096,400	18,500,700	1,599,680,100		1,599,680,100	2.156	2,036,364,102
2015	22,793,300	1,496,614,600	3,025,300	39,900	54,096,400	18,500,700	1,595,070,200		1,595,070,200	2.200	2,112,068,237
2016	21,927,600	1,497,282,400	4,701,400	41,500	53,914,600	18,500,700	1,596,368,200		1,596,368,200	2.256	2,112,419,558
2017*	27,103,200	1,989,936,000	8,345,700	55,600	83,384,700	30,125,000	2,138,950,200		2,138,950,200	1.731	2,132,177,216
2018	25,580,000	1,983,379,600	8,712,900	29,500	81,819,800	30,125,000	2,129,646,800		2,129,646,800	1.767	2,129,246,948

*-Revaluation Year

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

^b Tax rates are per \$100

Source: Municipal Tax Assessor

KINNELON BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(rate per \$100 of assessed value)
UNAUDITED

Year Ended December 31,	Kinnelon School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Kinnelon	Morris County	
2009	\$ 1.742	\$ 0.165	\$ 1.907	\$ 0.484	\$ 0.337	\$ 2.728
2010	1.809	0.158	1.967	0.510	0.330	2.807
2011	1.864	0.150	2.014	0.531	0.330	2.875
2012	1.924	0.158	2.082	0.556	0.330	2.968
2013	1.978	0.151	2.129	0.582	0.330	3.041
2014	2.020	0.136	2.156	0.588	0.325	3.069
2015	2.065	0.135	2.200	0.588	0.332	3.120
2016	2.123	0.133	2.256	0.669	0.326	3.251
2017*	1.632	0.099	1.731	0.500	0.259	2.490
2018	1.692	0.075	1.767	0.506	0.260	2.533

* - Revaluation year

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

Source: Municipal Tax Collector and School Business Administrator

KINNELON BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 32,331,934	\$ 32,331,934	100.00%	\$ -0-
2011	32,569,255	32,569,255	100.00%	-0-
2012	33,136,741	33,136,741	100.00%	-0-
2013	33,978,387	33,978,387	100.00%	-0-
2014	34,264,746	34,264,746	100.00%	-0-
2015	34,673,171	34,673,171	100.00%	-0-
2016	35,513,410	35,513,410	100.00%	-0-
2017	36,514,352	36,514,352	100.00%	-0-
2018	37,515,615	37,515,615	100.00%	-0-
2019	37,720,037	37,720,037	100.00%	-0-

a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Borough of Kinnelon District records including the Certificate and Report of School Taxes (A4F form)

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Income ^a	Per Capita ^a
2010	\$ 29,481,000	\$ -0-	\$ 267,600	\$ -0-	\$ -0-	\$ 29,748,600	4.36%	\$ 3,108
2011	28,389,000	-0-	162,229	-0-	-0-	28,551,229	3.81%	2,816
2012	26,719,000	-0-	110,866	-0-	-0-	26,829,866	3.44%	2,635
2013	25,004,000	-0-	56,832	-0-	-0-	25,060,832	3.09%	2,458
2014	23,694,000	-0-	-0-	-0-	-0-	23,694,000	2.89%	2,319
2015	21,115,000	-0-	-0-	-0-	-0-	21,115,000	2.48%	2,073
2016	19,735,000	-0-	273,737	-0-	-0-	20,008,737	2.25%	1,967
2017	18,360,000	-0-	217,609	-0-	-0-	18,577,609	2.05%	1,834
2018	16,950,000	-0-	164,796	-0-	-0-	17,114,796	1.80%	1,694
2019	15,995,000	-0-	56,012	-0-	-0-	16,051,012	1.70%	1,598

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2010	\$ 29,481,000		\$ 29,481,000	1.769%	\$ 3,080
2011	28,389,000		28,389,000	1.720%	2,800
2012	26,719,000		26,719,000	1.638%	2,624
2013	25,004,000		25,004,000	1.552%	2,452
2014	23,694,000		23,694,000	1.478%	2,319
2015	21,115,000		21,115,000	1.320%	2,073
2016	19,735,000		19,735,000	1.237%	1,941
2017	18,360,000		18,360,000	1.150%	1,812
2018	16,950,000		16,950,000	0.792%	1,678
2019	15,995,000		15,995,000	0.751%	1,593

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statement. These ratios are calculated using information from the prior calendar year.

a See Exhibit J-6 for property tax data.

b Population data can be found in Exhibit J-14.

Source: School District Financial Reports

KINNELON BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2018
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Kinnelon	\$ 13,143,477	100.00%	\$ 13,143,477
Morris County General Obligation Debt	216,647,699	2.25%	<u>4,868,304</u>
Subtotal, overlapping debt			18,011,781
Kinnelon School District Direct Debt			<u>16,010,000</u>
Total direct and overlapping debt			<u><u>\$ 34,021,781</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Kinnelon. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

- a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

KINNELON BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2019

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2018	\$2,159,885,193
2017	2,137,240,408
2016	2,128,774,770
	<u>\$6,425,900,371</u>
Average equalized valuation of taxable property	\$2,141,966,790
Debt limit (4% of average equalization value)	85,678,672 ^a
Net bonded school debt	15,995,000
Legal debt margin	<u>\$ 69,683,672</u>

Fiscal Year Ended June 30,

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 97,299,500	\$ 95,707,525	\$ 92,418,520	\$ 88,571,000	\$ 84,927,221
Total net debt applicable to limit	<u>29,481,000</u>	<u>28,389,000</u>	<u>26,719,000</u>	<u>25,004,000</u>	<u>23,714,000</u>
Legal debt margin	<u>\$ 67,818,500</u>	<u>\$ 67,318,525</u>	<u>\$ 65,699,520</u>	<u>\$ 63,567,000</u>	<u>\$ 61,213,221</u>
Total net debt applicable to the limit as a percentage of debt limit	30.30%	29.66%	28.91%	28.23%	27.92%

Fiscal Year Ended June 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debt limit	\$ 83,648,814	\$ 83,540,821	\$ 84,732,226	\$ 85,004,512	\$ 85,678,672
Total net debt applicable to limit	<u>21,115,000</u>	<u>19,735,000</u>	<u>18,360,000</u>	<u>16,950,000</u>	<u>15,995,000</u>
Legal debt margin	<u>\$ 62,533,814</u>	<u>\$ 63,805,821</u>	<u>\$ 66,372,226</u>	<u>\$ 68,054,512</u>	<u>\$ 69,683,672</u>
Total net debt applicable to the limit as a percentage of debt limit	25.24%	23.62%	21.67%	19.94%	18.67%

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey,
Department of Treasury, Division of Taxation

KINNELON BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
UNAUDITED

Year	Population ^a	Personal Income (thousands of dollars) ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2010	10,138	\$ 749,380,684	\$ 73,918	4.70%
2011	10,181	779,589,713	76,573	4.60%
2012	10,197	810,467,757	79,481	4.80%
2013	10,217	821,017,686	80,358	4.80%
2014	10,187	851,898,062	83,626	4.20%
2015	10,170	889,925,850	87,505	4.20%
2016	10,132	908,364,196	89,653	4.10%
2017	10,103	952,298,677	94,259	3.70%
2018	10,043	946,643,137	94,259 *	3.40%
2019	10,043 **	946,643,137 **	94,259 **	N/A

* - Latest Morris County per capita personal income available (2017) was used for calculation purposes.

** - Latest Morris County per capita personal income (2017) and population data (2018) available was used for calculation purposes.

N/A - Not Available.

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^c Personal income has been estimated based upon the municipal population and per capita personal income presented.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

KINNELON BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - MORRIS COUNTY
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2018		2009			
	Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Picatinny Arsenal		6,400	2.53%	Atlantic Health Systems	6,300	2.47%
Atlantic Health Systems		6,350	2.51%	Picatinny Arsenal	3,575	1.40%
Novartis Pharmaceuticals Corporation		4,607	1.82%	Novartis Corporation	3,573	1.40%
Bayer Healthcare, LLC		2,800	1.11%	Saint Clare's Health System	2,342	0.92%
ADP		2,242	0.89%	Morris County	2,126	0.83%
Wyndham Worldwide Corporation		1,907	0.75%	ADP	2,019	0.79%
Accenture		1,883	0.74%	United Parcel Service	1,941	0.76%
Honeywell		1,868	0.74%	AT&T	1,500	0.59%
Allergan		1,700	0.67%	Honeywell	1,500	0.59%
Saint Clare's Health System		1,544	0.61%	Wyndham Worldwide Corporation	1,395	0.54%
		<u>31,301</u>	<u>12.37%</u>		<u>26,271</u>	<u>10.31%</u>
		<u>252,984</u>			<u>254,678</u>	

* - Employment data provided by the NJ Department of Labor and Workforce Development.

Source: Morris County Treasurer's Office.

KINNELON BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction										
Regular	146.80	138.00	141.80	138.30	137.30	134.00	126.00	127.00	126.00	128.00
Special education	52.54	50.10	50.90	51.40	51.40	55.50	75.00	76.00	78.00	83.50
Support Services:										
Student & instruction related services	43.80	41.90	43.40	43.40	43.90	46.00	42.70	43.50	45.00	44.00
School administrative services	16.00	12.50	12.50	12.50	12.50	14.50	15.50	15.50	15.50	17.70
General and business administrative services	3.80	3.90	3.90	3.90	3.90	4.00	6.00	6.00	6.00	4.00
Plant operations and maintenance	30.90	30.40	30.40	30.40	30.40	24.00	25.00	23.00	22.00	28.00
Business and other support services	5.10	4.60	4.60	4.60	4.60	2.00	2.00	2.00	2.00	2.00
Pupil transportation	10.00	8.00	8.00	8.00	8.00	11.50	10.00	10.00	10.50	10.00
Total	308.94	289.40	295.50	292.50	292.00	291.50	302.20	303.00	305.00	317.20

Source: District Personnel Records

KINNELON BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Teaching Staff	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) ^e	Average Daily Attendance (ADA) ^e	% Change in Average Daily Enrollment	Student Attendance Percentage
					Kiel Elementary	Stony Brook Elementary	Pearl R. Miller Middle School	Kinnelon High School					
2010	2,214	\$ 35,384,676	\$ 16,033	179.10	1:12.5	1:14.6	1:11.9	1:10.3	2,207	2,120	-0.943%	96.06%	
2011	2,215	33,567,060	15,234	188.10	1:10.2	1:13.6	1:11.3	1:11.9	2,204	2,102	-0.136%	95.40%	
2012	2,222	34,699,267	16,094	194.20	1:11	1:13	1:11	1:12	2,156	2,069	-2.178%	95.96%	
2013	2,143	37,110,151	17,530	191.20	1:12	1:14	1:11	1:12	2,117	2,032	-1.809%	95.98%	
2014	2,103	36,894,542	17,729	190.20	1:12	1:14	1:11	1:12	2,081	1,974	-1.701%	94.86%	
2015	2,019	38,477,225	19,152	189.50	1:12	1:14	1:11	1:12	2,009	1,930	-3.460%	96.07%	
2016	1,992	39,471,312	20,211	201.00	1:12	1:14	1:11	1:12	1,953	1,888	-2.787%	96.67%	
2017	1,953	40,453,218	21,135	203.00	1:12	1:14	1:11	1:10	1,914	1,835	-1.997%	95.87%	
2018	1,961	42,664,123	22,586	204.00	1:12	1:14	1:12	1:11	1,889	1,795	-1.306%	95.02%	
2019	1,804	44,718,507	23,673	204.00	1:12	1:14	1:12	1:11	1,889	1,795	0.000%	95.02%	

Sources: Borough of Kinnelon School District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

KINNELON BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

District Building	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Kiel Elementary School (1995)										
Square Feet	49,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563	49,563
Capacity (students)	333	333	333	333	333	333	333	333	333	333
Enrollment	333	388	377	340	310	315	308	315	305	294
Stony Brook Elementary (1957)										
Square Feet	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137	70,137
Capacity (students)	557	557	557	557	557	557	557	557	557	557
Enrollment	504	578	619	524	558	498	480	472	458	431
Pearl R. Miller Middle School (1968)										
Square Feet	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910	89,910
Capacity (students)	593	593	593	593	593	593	593	593	593	593
Enrollment	561	545	532	522	514	508	493	500	471	454
Kinnelon High School (1963)										
Square Feet	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846	136,846
Capacity (students)	646	646	646	646	646	646	646	646	646	646
Enrollment	697	704	694	693	699	688	672	685	655	625
Glenn Sisco Elementary School (1923)										
Square Feet	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097	21,097
Capacity (students)	168	168	168	168	168	168	168	168	168	168
Enrollment	119	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

Number of Schools at June 30, 2019

 Elementary = 2

 Middle School = 1

 High School = 1

Note: Year of original construction is shown in parentheses.

Enrollment is based on the annual October district count.

Source: Borough of Kinnelon School District Facilities Office

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx

Fiscal Year Ended June 30,	Kiel		Stony Brook		Glen L. Sisco		Pearl R. Miller		Kinnelon		Total
	Elementary School	Elementary School	Elementary School	Elementary School	Elementary School	Elementary School	Middle School	High School	High School	Maintenance	
2010	\$ 33,699	\$ 54,552	\$ 17,445	\$ 50,196	\$ 130,940	\$ 25,541	\$ 312,373				
2011	27,227	73,841	11,112	40,641	78,539	4,025	235,385				
2012	37,618	67,957	4,999	41,510	127,168	3,955	283,207				
2013	21,942	61,671	3,559	62,387	410,331	36,000	595,890				
2014	54,035	56,236	22,210	87,810	199,659	33,259	453,209				
2015	58,953	96,454	8,973	42,565	140,173	112,282	459,400				
2016	51,865	87,220	11,890	51,730	83,993	39,770	326,468				
2017	45,977	70,734	21,220	84,881	130,220	14,533	367,565				
2018	44,509	95,214	13,485	80,657	151,354	29,458	414,677				
2019	78,316	84,752	2,700	96,396	206,159	8,102	476,425				

* School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Borough of Kinnelon School District records

KINNELON BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2019
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Package - American Guarantee & Liability Insurance Company		
Property	\$ 96,175,608	\$ 5,000
Comprehensive General Liability	1,000,000	
Comprehensive Automotive Liability	1,000,000	
Blanket Employee Dishonesty	500,000	5,000
Boiler and Machinery	100,000,000	1,000
Excess Liability		
Fireman's Fund Ins. Co.		
Per Occurrence	50,000,000	
Aggregate	50,000,000	
Excess Policy		
American Guarantee & Liability Insurance Company		
Per Occurrence	9,000,000	
Aggregate	9,000,000	
Environmental Impairment Liability		
Chubb/Ace		
Per Occurrence	1,000,000	25,000
Aggregate	10,000,000	
Fungi or Legionella		50,000
School Board Legal Liability		
Darwin Insurance Company		
Errors & Omissions	1,000,000	10,000
Employment Practices	1,000,000	15,000
Travel Accident Insurance		
Gerber Life Insurance Company		
Limit	100,000	
Cyber Liability		
Indian Harbor Insurance Company		
Combined Policy Aggregate Limit of Liability	4,000,000	25,000
Surety Bonds		
Hartford		
Treasurer of School Monies	250,000	
Board Secretary/Business Administrator	250,000	

Source: Kinnelon Borough School District records.

SINGLE AUDIT SECTION



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Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Kinnelon Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

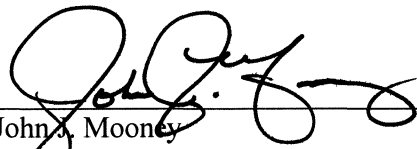
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 13, 2019
Mount Arlington, New Jersey

NISIVOCCIA LLP

NISIVOCCIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant



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Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
County of Morris, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Kinnelon School District (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2019. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major state programs. However, our audit does not provide a legal determination of the District's compliance.

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
Page 2

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

November 13, 2019
Mount Arlington, New Jersey

NISIVOC CIA LLP

NISIVOC CIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor / Program Title / Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance 6/30/2018		Cancellation of Prior Year's Encumbrances	Returned to Grantor	Balance 6/30/2019		Amounts Provided to Subrecipients	
					Unearned Revenue (Accounts Receivable)	Due to Grantor			Accounts Receivable	Unearned Revenue		
U.S. Department of Health and Human Services - Passed-through State Department of Human Services:												
General Fund:												
Medicaid Cluster:												
Medical Assistance Program (SEMI) 93.778		N/A	7/1/18-6/30/19	\$ 2,854	\$ 2,854	\$ (2,854)						
U.S. Department of Agriculture - Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Federal Food Distribution Program	10.555	N/A	7/1/18-6/30/19	32,844		(31,186)			\$ 1,658			
Federal Food Distribution Program	10.555	N/A	7/1/17-6/30/18	30,872	\$ 1,630	(1,630)						
National School Lunch Program	10.555	N/A	7/1/18-6/30/19	47,588		(47,588)		\$ (3,147)				
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	54,056	(3,775)							
Total Child Nutrition Cluster				81,060	(2,145)	(80,404)		(3,147)	1,658			
Total U.S. Department of Agriculture				81,060	(2,145)	(80,404)		(3,147)	1,658			
U.S. Department of Education - Passed-through State Department of Education:												
Special Education Cluster:												
I.D.E.A. Preschool	84.173	IDEA-2460-19	7/1/18-6/30/19	16,633		(16,633)						
I.D.E.A. Part B, Basic	84.027	IDEA-2460-19	7/1/18-6/30/19	378,542		(378,542)		(53,952)		\$ 1,340	1,340	
I.D.E.A. Part B, Basic	84.027	IDEA-2460-18	7/1/17-6/30/18	383,863		(395,175)	\$ 1,340		(53,952)			
Total Special Education Cluster				341,223		(395,175)	1,340		(53,952)			
Title I	84.010A	ESEA-2460-19	7/1/18-6/30/19	54,536		(32,052)		(8,928)				
Title I	84.010A	ESEA-2460-18	7/1/17-6/30/18	40,268	(11,562)							
Title I	84.010A	ESEA-2460-17	7/1/16-6/30/17	24,975	\$ 453					453		
Title IIA	84.367A	ESEA-2460-19	7/1/18-6/30/19	37,304		(33,109)		(1,395)				
Title IIA	84.367A	ESEA-2460-18	7/1/17-6/30/18	20,094	(7,352)		1,460			1,460		
Total U.S. Department of Education				414,975	(18,914)	(460,336)	2,800	(64,275)	3,253			
TOTAL FEDERAL AWARDS				\$ 498,889	\$ 453	\$ (543,594)	\$ 2,800	\$ -	\$ (67,422)	\$ 1,658	\$ 3,253	\$ -

N/A - Not Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned Revenue/(Accounts Receivable) 6/30/2018	Due to Grantor 6/30/2018	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/2019 (Accounts Receivable)	Due to Grantor	MEMO	
											Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:												
General Fund:												
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	\$ 1,127,229	\$ (107,264)		\$ 1,018,307	\$ (1,127,229)		\$ (968,379)	\$ 108,922	\$ 1,127,229	
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	1,127,229			107,264					1,127,229	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	164,769	(15,679)		148,848	(164,769)			15,921	164,769	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	164,769			15,679					164,769	
Transportation Aid	18-495-034-5120-014	7/1/18-6/30/19	430,416	(21,099)		388,826	(430,416)			41,590	430,416	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	221,731			21,099					221,731	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	20,185	(1,921)		1,921					20,185	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	20,185	(1,921)		1,921					20,185	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	19,330	(1,839)		1,839					19,330	
Extraordinary Special Education Costs Aid	19-100-034-5120-473	7/1/18-6/30/19	968,379	(559,786)		561,961	(968,379)		\$ (968,379)	968,379	968,379	
Extraordinary Special Education Costs Aid	18-100-034-5120-473	7/1/17-6/30/18	561,961				(2,175)				561,961	
Nonpublic School Transportation Costs	19-495-034-5120-014	7/1/18-6/30/19	18,560	(21,170)		21,170	(18,560)		(18,560)	18,560	18,560	
Nonpublic School Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	21,170								21,170	
Reimbursed TPAF Contributions:												
Social Security Aid	19-495-034-5094-003	7/1/18-6/30/19	1,296,467	(36,443)		1,296,467	(1,296,467)				1,296,467	
Social Security Aid	18-495-034-5094-003	7/1/17-6/30/18	1,308,311			36,443					1,308,311	
On-Behalf TPAF Contributions:												
Pension	19-495-034-5094-001	7/1/18-6/30/19	3,189,696			3,189,696	(3,189,696)				3,189,696	
Post-Retirement Medical	19-495-034-5094-002	7/1/18-6/30/19	1,477,127			1,477,127	(1,477,127)				1,477,127	
Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	66,769			66,769	(66,769)				66,769	
Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	2,078			2,078	(2,078)				2,078	
Total General Fund				(767,122)		8,357,415	(8,743,665)		(986,939)	1,153,372	12,206,361	
Debt Service Fund:												
Debt Service Aid State Support	19-495-034-5120-017	7/1/18-6/30/19	67,512			67,512	(67,512)				67,512	
Total Debt Service Fund						67,512	(67,512)				67,512	
Special Revenue Fund:												
NJ Nonpublic Aid:												
Technology Initiative	19-100-034-5120-373	7/1/18-6/30/19	468			468	(468)				468	
Textbook Aid (Chapter 194)	19-100-034-5120-064	7/1/18-6/30/19	694			694	(694)				694	
Textbook Aid (Chapter 194)	18-100-034-5120-064	7/1/17-6/30/18	1,041		\$ 1,041			\$ (1,041)				
Security Aid	19-100-034-5120-509	7/1/18-6/30/19	1,950			1,950	(1,891)			\$ 59	1,891	
Security Aid	18-100-034-5120-509	7/1/17-6/30/18	1,425		135			(135)			1,290	
Nursing Services (Chapter 226)	19-100-034-5120-070	7/1/18-6/30/19	1,261			1,261	(1,261)				1,261	
Total Special Revenue Fund					1,176	4,373	(4,314)	(1,176)		59	7,134	
Total NJ Department of Education				(767,122)	1,176	8,429,300	(8,815,491)	(1,176)	(986,939)	1,153,372	12,281,007	

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned Revenue/ (Accounts Receivable) 6/30/2018	Due to Grantor 6/30/2018	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance GAAP (Accounts Receivable) 6/30/2019	MEMO	
										Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:											
Enterprise Fund:											
State School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	\$ 3,945	\$ (302)		\$ 3,679	\$ (3,945)		\$ (266)	\$ 266	\$ 3,945
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	4,083			302					4,083
Total Enterprise Fund				(302)		3,981	(3,945)		(266)	266	8,028
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT DETERMINATION											
				\$ (767,424)	\$ 1,176	\$ 8,433,281	\$ (8,819,436)	\$ (1,176)	\$ (987,205)	\$ 59	\$ 1,153,638
Less - State Awards Not Subject to Single Audit Major Program Determination:											
On-Behalf TPAF Contributions:											
Pension	19-495-034-5094-001	7/1/18-6/30/19	3,189,696				3,189,696				
Post-Retirement Medical	19-495-034-5094-002	7/1/18-6/30/19	1,477,127				1,477,127				
Non-Contributory Insurance	19-495-034-5094-004	7/1/18-6/30/19	66,769				66,769				
Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	2,078				2,078				
Subtotal On-Behalf TPAF Pension System Contributions							4,735,670				
TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT MAJOR PROGRAM DETERMINATION											
							\$ (4,083,766)				

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Kinnelon Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2019. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3: INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

KINNELON BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$16,710) for the general fund and \$(11,433) (\$16,014) local grants and \$4,581 Federal grants) for the special revenue fund. See exhibit C-3 for a reconciliation of the Budgetary Basis to the modified accrual basis of accounting for the general and special revenue funds.

Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented below:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 2,854	\$ 8,726,955	\$ 8,729,809
Special Revenue Fund	464,917	4,314	469,231
Debt Service Fund		67,512	67,512
Enterprise Fund	<u>80,404</u>	<u>3,945</u>	<u>84,349</u>
Total Financial Awards	<u>\$ 548,175</u>	<u>\$ 8,802,726</u>	<u>\$ 9,350,901</u>

NOTE 5: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2019.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2019 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

	<u>State Grant</u> <u>Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
<u>State:</u>				
Special Education Categorical Aid	19-495-034-5120-089	7/1/18-6/30/19	\$ 1,127,229	\$ 1,127,229
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	164,769	164,769

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

KINNELON BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.

KINNELON BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Status of Prior Year Findings:

The District had no prior year audit findings.